Crédit Mutuel
Nord Europe

A MUTUAL BANK, CLOSE AT HAND

ANNUAL REPORT 2019

Contents

Crédit Mutuel
Nord Europe

2019 ANNUAL REPORT

The Crédit Mutuel Nord Europe (CMNE) Group comprises a local bank operating in seven departments in Northern France, a Belgian bank and a third-party asset management company based in Paris. The CMNE Group is involved in the economic activity of its regions, from individuals to businesses, including professionals, non-profits and farmers.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This annual report was filed, on April 30, 2020, with the French Financial Markets Authority (AMF), in its capacity as competent authority under (EU) Regulation No. 2017/1129, without prior approval, pursuant to Article 9 of said regulation. The annual report can be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if it is supplemented by a securities note and, where applicable, a summary of all the amendments made to the annual report. The entire document was approved by the AMF pursuant to (EU) Regulation No. 2017/1129.

1

PRESENTATION OF THE GROUP

1.1 EDITORIAL

At the time of writing*, the Covid-19 crisis has had a major impact on France and economies around the world. Since the start of the epidemic, Crédit Mutuel Nord Europe has taken all necessary health measures to prevent the virus from spreading and to ensure continuity of service by adapting its operating methods. As an essential service, it continues to have a close relationship with its customers and is supporting those in difficulty, particularly businesses or professionals placed in financial jeopardy by the crisis.

In this unsettled and uncertain context, establishing precise forecasts for the end of the crisis would be a perilous, indeed impossible, exercise. One thing is certain: the Crédit Mutuel Nord Europe Group's 2019 results are solid and allow us to prepare for the post-crisis period.

2019 was a year of consolidation and development. The Group made progress towards change by adapting more and more, day by day, to its customers' new lifestyles and consumption patterns. In a persistently low interest rate environment, and despite increasing regulatory pressure, the CMNE Group ended 2019 with results in line with targets that it had set. Its net banking income amounted to €813 million and net profit/(loss) attributable to the group came to €162 million.

Being well-equipped to deal with the crisis, the Group is one of the most financially sound banks in the market with ratios that far exceed regulatory requirements. "Common Equity Tier 1" stands at 18.58% and the solvency ratio at 23.34%. Shareholders' equity comes in at €3,482 million.

We owe these results to the collective efforts of more than 4,100 employees working to produce the various successes encountered in Bankinsurance, in France and in Belgium, and in asset management. It is they who, by virtue of their involvement, are taking the Group forward. And it is they who, now more than ever, are there for our 1.7 million customers, helping them to get through this difficult period.

Although the Covid-19 pandemic will clearly leave its mark on the economy, we hope that some of the growth lost in this early part of the year will be rapidly regained. In any event, this public health crisis is challenging the Group to prove its financial soundness and flexibility. CMNE's aim is clear: to set itself apart through its capacity to combine economic performance and an increasing, long-term, involvement in the growth of its territories.

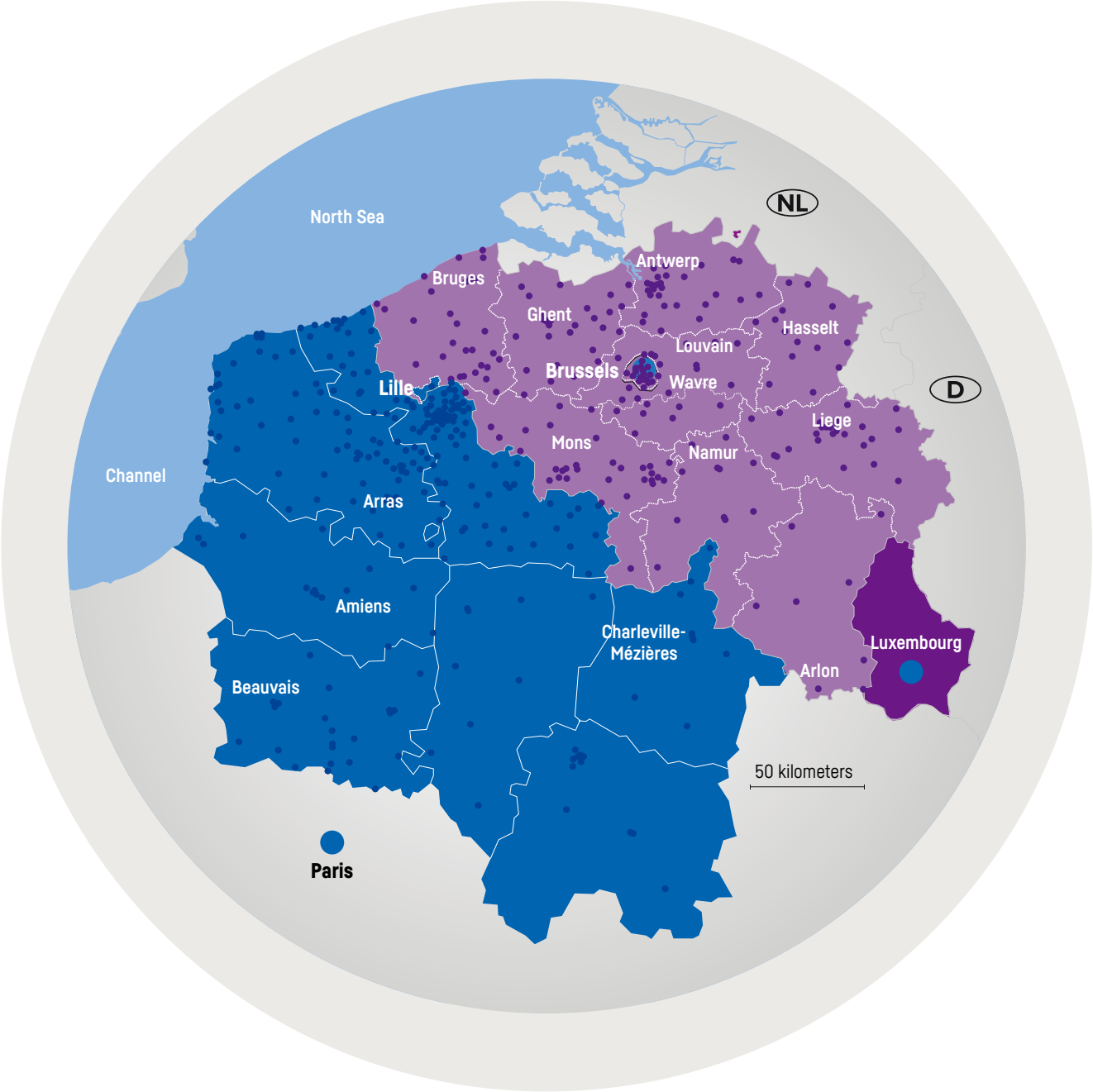
2020 is the last year of our Medium-Term Plan. We are launching a series of discussions on the next strategic plan, in the knowledge that we can rely on a strong balance sheet. Our current objective is to learn lessons from the crisis that will inform our future, whilst meeting the crucial societal challenges that look likely to ensue.

André HALIPRÉ
President

Éric CHARPENTIER
Chief Executive Officer

** April 15, 2020.*

1.2 BRANCH NETWORK



Crédit Mutuel Nord Europe Branches
Beobank Branches

1.3 2019 KEY FIGURES

People

1,756,078
Customers and members

4,116
Employees
FTE permanent contract

1,342
Directors

Organization

520
Points of sale

297*
France network

223**
Belgium network

601
ATMs

445
France network

156**
Belgium network

* *including 141 Local Banks, 110 offices, 33 business centers and 13 leasing branches and offices*
** *including 65 branches, 11 business centers and 147 delegated officers*

Balance sheet

€28,173M
Total consolidated assets

€3,482M
Capital Basel III regulatory

Activity

€18,464M
Outstanding deposits

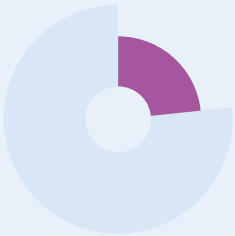
€81,567M
Financial and insurance-based savings outstandings

€17,480M
Loan outstandings

2,028,102
Insurance policies

Basel III solvency ratios

18.58%
Common Equity Tier One



23.34%
Solvency ratio

Results

€813M
Consolidated net banking income
+3.6%
compared to 2018

€162M
Consolidated net profit/(loss)
+ 21%
compared to 2018

1.4 2019 HIGHLIGHTS

The initial results of the CMNE Group 2016-2020 Medium-Term Plan are positive. This plan made it possible to fine-tune the technological transformation and to sustain solid growth. 2020 will be the final year of this strategic plan. Despite the complex environment in which CMNE is operating (low rates, high levels of regulation, etc.), its results are based on a solid foundation, driven by commercial activity and the numerous areas of improvement. The next plan must, therefore, incorporate all the changes that will be faced by the banking sector in order to strengthen the Group's profitability, as well as the short and medium-term impacts of the public health crisis that has exploded all over the world.

Bankinsurance/France network

Activities

- A great performance from the Crédit Mutuel real estate branch (AFEDIM): over 1,000 reservations, up 20% on 2018;
- Net hike in auto leasing, with production up five-fold in one year.

Innovation

- Introduction of strong authentication: additional security code entered to validate an online or mobile transaction;
- Broadening of digitization of product offerings: REIT, savings accounts, securities accounts and PEPs;
- Ongoing transformation of business lines: cognitive solutions, optical recognition, first pilot audio-video meetings with customers.

Organization

- Further adjustment of network coverage, branch formats and performance management;
- Expansion of the pooling of business lines;
- Migration/consolidation of Bail Actea.

Bankinsurance/Belgium network

Activities

- Significant improvement in results in the area of self-employed professionals as a result of collaboration with the sales distribution network, new products and internal training;
- Record numbers of mortgage loans (+22%) and property and casualty insurance (IARD) (with 15,052 policies taken out in 2019, launched in late 2017);
- Harmonization of internal processes with Bankinsurance France.

Innovation

- Launch of Beobank Home Secure, a full subscription service comprising the supply and maintenance of a connected alarm system, as well as a 24-hour telemonitoring service;
- Launch of Beobank Leasing véhicule PRO;
- Launch of two-wheeler insurance in collaboration with Groupe des Assurances du Crédit Mutuel (GACM);
- Launch of instant payments with the Itsme® app.

Organization

- Internal organizational review to improve operational efficiency, in particular, by creating a Data, Digital and Growth Marketing Department and by centralizing back office teams at the La Plaine head office;
- Ongoing expansion of "OPEN" branches.

Asset management

Activities

- €5.62 billion in premium income (excluding Assurances du Crédit Mutuel assets), 49% of which generated internationally;
- €69.2 billion in assets under management, of which 31% internationally;
- Acceleration of the sustainable investment strategy through the appointment of a Global Head of Sustainable Investing responsible for rolling out the strategy within the group, and the launch of the La Française Carbon Impact 2026 fund.

Innovation

- Launch of new products:
  - the SCPI Les Grands Palais, the first wine-related REIT on the market,
  - the SCPI Grand Paris Habitation, a REIT for tax purposes backed by the Pinel mechanism.

Organization

- Group structure simplified into two pillars (financial and real estate assets) and introduction of multi-expertise organization;
- Operational implementation of the positioning on the German market as a domestic player, through the finalization of the integration of the Veritas Group.

1.5 AN INTEGRATED GROUP WORKING FOR CUSTOMERS

The history of the Crédit Mutuel Nord Europe Group began more than a century ago. The first Crédit Mutuel Nord Europe local banks set up in the Nord-Pas-de-Calais region helped lay the foundations of the cooperative movement and the principles of social responsibility, solidarity between members and local roots. Over time, CMNE has built a solid model of a European regional universal bank, adapted to the needs of its members-customers.

Today, it boasts many winning assets: retail banking expertise; good geographic coverage in the north of France and Belgium; a business model that places special emphasis on customer satisfaction and innovation, and positions in all Bankinsurance and asset management activities.

Crédit Mutuel Nord Europe is part of the Crédit Mutuel Group and is structured around the Caisse Fédérale, the Group's holding company, and its core businesses: Bankinsurance and asset management.

Bankinsurance

CMNE operates a Euro-regional universal bankinsurance model serving individuals, self-employed professionals, farmers, associations and companies. It offers a full range of products covering everything from day-to-day banking to corporate financing and wealth management and markets Groupe des Assurances du Crédit Mutuel (GACM) products. It also offers a range of online services for an increasingly digitized society as well as alarm systems. This global approach is based on a strong value-added offering.

With a catchment area of 18.5 million people in the north of France and Belgium, the CMNE networks served over 1.7 million customers at end-2019 and affirmed their position as one of the best-placed networks to support customers in all of their needs.

France Network

As a retail bank and insurance provider, the France network is the historic heart of the market, reinforced in the early 1990s by the merger of Crédit Mutuel Artois-Picardie, Nord and Champagne-Ardenne.

The network currently consists of 297 points of sale located across seven departments (Aisne, Ardennes, Marne, Nord, Oise, Pas-de-Calais and Somme).

Belgium Network

Belgium is the CMNE Group's second biggest Bankinsurance market. Beobank has 65 branches employing salaried staff, 147 delegated officers and 11 business centers.

A leader on the Bankinsurance market in Belgium, this retail bank offers a wide range of products ranging from wealth accumulation to credit solutions for individual customers, self-employed professionals, and companies.

Asset management

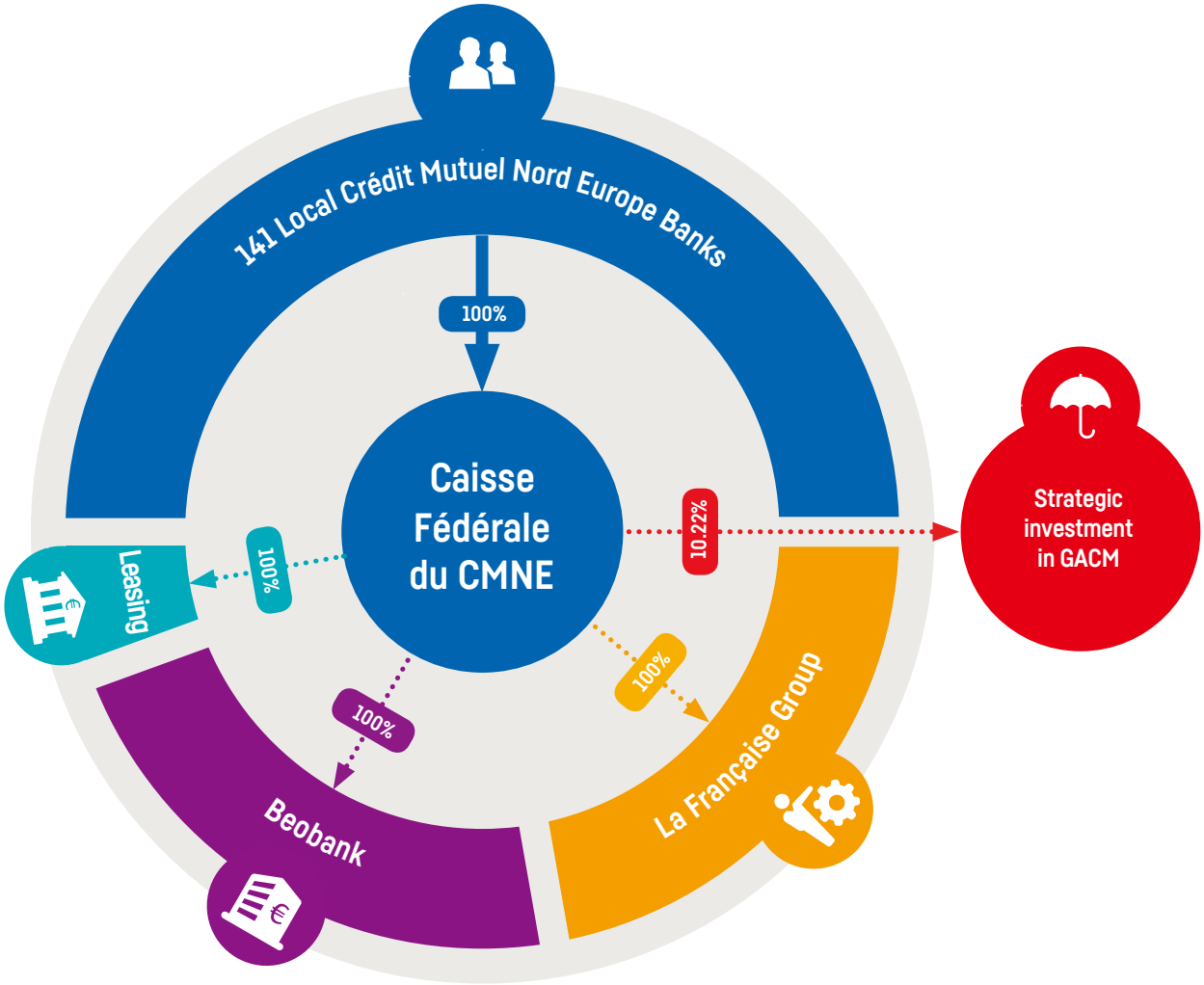
The CMNE Group's second core business, the La Française Group, is its third-party asset management subsidiary.

La Française positions itself as a global asset manager, in terms of both business lines and commercial coverage. It provides a full range of products and services for a diversified customer base, including institutional investors, banking networks, distribution platforms, specifiers and private customers.

Founded in 1975, La Française has changed significantly and is now based on a multi-expertise model comprising a financial assets pillar, a real estate pillar and an innovation platform.

La Française entities are primarily located in France, but it also has offices in Luxembourg, London, Frankfurt and Hong Kong. Representation offices are also located in Italy and Spain. They design financial products, either alone or in partnership with other affiliated management companies. These products are distributed via their own networks, those of the Crédit Mutuel Group, in particular, CMNE, or those of their partners (independent wealth management advisors and financial networks).

1.6 CMNE GROUP FINANCIAL ORGANIZATIONAL CHART



As of December 31, 2019

Bankinsurance
Asset-Management

Leasing

Bail Actéa
100%
Equipment leasing

Bail Actéa Immobilier
100%
Real estate leasing

CMNE network
Retail and Corporate banking

Beobank
Retail banking

LA FRANÇAISE GROUP
Third-party asset management
- Holding company -

La Française Global Investments
100%
Investment services

La Française AM Finance Services
100%
Investment product distribution

La Française AM International
100%
International distribution of UCITS and UCI

Next AM
100%
Equity investments

La Française Investment Solutions
56.04%
EMTN structuring advisory and UCITS management

La Française Global Real Estate Investment Management
100%
Real estate investment management

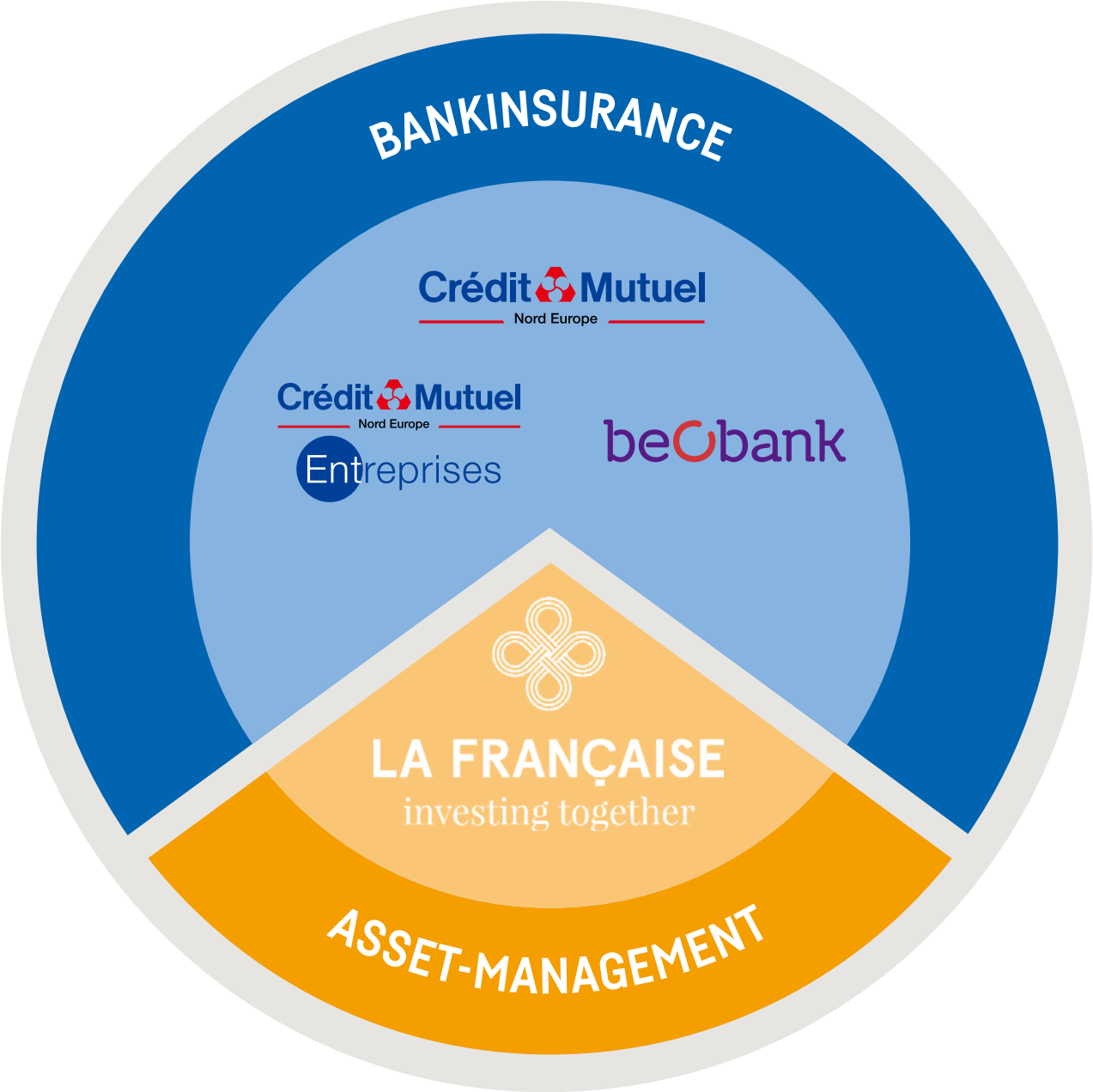
La Française Asset-Management
100%
UCITS management

LFP Multi Alpha
100%

La Française Real Estate Managers
95.96%
Real estate asset management

Veritas Portfolio GmbH & Co. KG
100%

1.7 CMNE GROUP BRANDS



2

GOVERNANCE

2.1 MANAGEMENT COMMITTEE

2.1.1 Composition of the Management Committee

Chief Executive Officer	Éric CHARPENTIER
Chief Operating Officer – Bankinsurance	Christian NOBILI
Deputy Chief Operating Officer – Group Chief Financial Officer	Sabine SCHIMEL
Deputy Chief Operating Officer – Resources Manager	Denis VANDERSCHELDEN
Chairman of the Groupe La Française Executive Board Asset Management division	Xavier LÉPINE
Group Chief Risk Officer	Florence DESMIS
General Secretary	Jérôme PAVIE
Group Inspector General	Vincent GOSSEAU
Group Chief Compliance Officer	François STAROUKINE

The Group Management Committee is chai**red by the Chief Executive** Officer who has extensive powers to manage the Group, within the framework of the strategy adopted by the Federal Boards of Directors.

It deals with issues relating to the Group's strategy, the setting and monitoring of operational objectives, Group risks, and its activities and results more generally.

The Management Committee facilitates coordination across the business lines (Bankinsurance and Asset Management) by seeking out synergies in the sales, technical and HR fields.

It meets twice a month and relies in particular on the work carried out by:

- The Banking Committee chaired by the Chief Operating Officer, which coordinates the France and Belgium networks and is made up of managers from those networks;
- The Management Committee of the Asset Management division;
- The Financial Committee of the Caisse Fédérale and the banking subsidiaries.

Each quarter, the Financial Committees of the Caisse Fédérale and its banking subsidiaries analyze interest rate risk and liquidity risk in a process that includes financial and business projections. The Caisse Fédérale's Financial Committee decides on the level of hedging to be put in place to protect the financial margin.

In addition, each month, it covers the following topics: refinancing, liquidity reserves, the LCR ratio and Caisse Fédérale proprietary investments. It reports on the monitoring of market counterparty risk, limit compliance and the composition and evolution of the Group entities' financial portfolios.

Each quarter, it reports on the monitoring of allocations of shareholders' equity to the banking and trading books, as well as the impact of stress test scenarios on shareholders' equity and profit or loss.

In addition, two Committees meet at the Caisse Fédérale level:

- each quarter, the Major Risks Committee examines risk exposures that exceed a threshold set by Executive Management, either individually or in aggregate, for each of the Group's financial units;
- the Performance Improvement Committee is responsible for drawing up and monitoring the budget (including annual investments) and for proposing cost efficiencies for the Caisse Fédérale and local banks as a whole.

2.1.2 Powers of the Chief Executive Officer and the Chief Operating Officer

In line with the Group's consistent practice of distinguishing between policy, supervisory and control responsibilities on the one hand and executive management responsibilities on the other, the functions of Chairman and Chief Executive Officer are split.

At its meeting on April 24, 2006, the Board of Directors appointed Éric Charpentier as Chief Executive Officer from June 1, 2006 and granted him full powers to act alone in the name and on behalf of Caisse Fédérale du Crédit Mutuel Nord Europe.

At its meeting on January 21, 2008, the Board of Directors appointed Christian Nobili as Chief Operating Officer from February 1, 2008, with the same powers as the Chief Executive Officer.

2.2 BOARD OF DIRECTORS

2.2.1 Presentation of the Board of Directors

On December 31, 2019, the composition of the Board of Directors of Fédération du Crédit Mutuel Nord Europe was as follows:

Chairman:	André HALIPRÉ[1]		
Vice-Chairmen:	Fabienne RIGAUT[2]	Dominique BUR[2]	
Secretary:	Michel HEDIN[3]		
Treasurer:	Jacques VANBREMEERSCH[3]		
Directors:	Philippe CACAUX[3] Christine DEBOUBERT[3] Sabine DUCROCQ[3] Vania FOSSAERT[3]	Catherine LAMBLIN-MESSIEN[3] Patrick LIMPENS[3] Jocelyne MORLON[3] Olivier OGER[3]	Alain POISSONNIER[3] Nathalie POLVECHE[3] Christine THYBAUT[3] Luc WYNANT[3]

Also at Caisse Fédérale du Crédit Mutuel Nord Europe: [1] Chairman – [2] Vice-Chairman – [3] Director.

With regard to the Board of Directors of Caisse Fédérale du Crédit Mutuel Nord Europe, the French Law on social dialog and employment (the "Rebsamen" law) has lowered the thresholds for the mandatory appointment of directors representing employees to Boards of Directors.

The Caisse Fédérale amended its bylaws at the 2018 Shareholders' Meeting to allow such appointment, and tasked the labor partners with making such appointments from the 11 applications received.

The European Works Council appointed Véronique Hosti, a controller in the Permanent Control Department and the Works Council appointed Damien Pelletier, manager of the Boulogne-sur-Mer Professional Advice Counter (ECP).

2.2.2 Application of the principle of balanced representation of men and women

In accordance with the provisions of the French Law of January 27, 2011 "on the balanced representation of women and men on boards of directors and supervisory boards and gender equality in the workplace", CMNE has adopted a policy of increasing the number of women on its Boards, on the Management Committee and in its workforce more generally.

2.2.2.1 Information on how the Board of Directors seeks to achieve a balanced representation of men and women

The Board of Directors ensures that the selection of its members provides a diverse range of skills and a balanced representation of men and women in proportions consistent with the requirements of Article 225-18-1 of the French Commercial Code. At December 31, 2019, there were nine women and ten men on the Caisse Fédérale's Board of Directors, i.e. a female representation rate of 48%.

2.2.2.2 Information on how CMNE seeks to achieve a balanced representation of men and women on the Management Committee

The composition of the Group Management Committee is governed by the Chief Executive Officer's choice of skills that he considers useful to have in the team around him in order to achieve an internal structure that he can rely on to approve and implement his decisions. At December 31, 2019, the Management Committee comprised the Chief Executive Officer, the Chief Operating Officer and five executive managers, i.e. seven people, two of whom were women and five men, or a female representation rate of 29%.

2.2.2.3 Information on gender diversity performance in the top 10% of senior posts

In 2019, women made up 48.7% of employees on a permanent contract (base: France 2,481 FTE, permanent contract) compared with 44% in 2010. This increase is mainly due to a greater number of female new hires: women accounted for 58.6% of permanent hires in 2019 (compared to 58% in 2016). The company is continuing its efforts to raise the proportion of women in executive posts. In 2019, women made up 27.5% of executive employees (up 5.2 percentage points since 2014) and a majority of executive hires. Two women are represented among the 10 highest paid employees.

2.2.3 Organization and preparation of the work of the Board of Directors

The Board of Directors derives its powers from the bylaws and the general operating regulations. Where required, the Board of Directors' Internal Regulations and the Director's Charter (adopted by the Federal Board on February 26, 2018), particularly concerning the prevention and handling of irregularities involving elected officers, round out the operating rules that apply to the supervisory body.

The Board of Directors determines the Group's strategy on the basis of proposals submitted to it by Executive Management and oversees their implementation. The Board is elected by the 141 local banks, each of which has its own Board of Directors made up of members elected by the shareholders at a Shareholders' Meeting on the basis of "one person, one vote" in accordance with the Group's cooperative status. Some of its members also sit on the boards of the Group's holding companies: CMNE Belgium and Groupe La Française.

The Executive Board, which has six members, is a consultative body that examines items that are subsequently submitted to the Board of Directors. It met twice during the year (October 14 and December 16) to discuss the revision of the governance documents

2.2.3.1 The Board of Directors has delegated powers to four specialized committees

The Audit Committee

Operating under the responsibility of the Federal Board of Directors, the Audit Committee is in charge of the following:

- the establishment and maintenance by Executive Management of an effective internal control system, and the consistency of the systems used to measure, monitor and control risks on a consolidated basis;
- monitoring of the financial reporting process, the statutory audit of the annual and consolidated financial statements by the statutory auditors, and the independence of the statutory auditors;
- the examination and approval of the parent company and consolidated financial statements.

Subjects covered at Audit Committee meetings

The issues discussed at Audit Committee meetings relate to periodic control activities and the monitoring of accounting and regulatory treatments.

Attendance and participation at Audit Committee meetings

Absences of members from Audit Committee meetings are rare. The Audit Committee is chaired by a person other than the Chairman of the Board of Directors.

The Risk Committee

Operating under the responsibility of the Federal Board of Directors, the Audit Committee is in charge of the following:

- determining the "risk appetite" i.e. "the level and type of risk that the CMNE Group is able and willing to assume in its exposures and business activities, given its operational objectives and regulatory obligations";
- the establishment and maintenance by Executive Management of an effective internal control system;
- the consistency of the systems used to measure, monitor and control risks on a consolidated basis;
- the existence and use of appropriate methods to ensure regulatory compliance;
- monitoring the capital consumption and adequacy of the various entities and business lines.

Subjects covered at Risk Committee meetings

The issues discussed at Risk Committee meetings relate to the activities of the Group Risk, Permanent Control and Compliance Department.

Attendance and participation at Risk Committee meetings

Absences of members from Risk Committee meetings are rare. The Risk Committee is chaired by an independent director.

The Appointments Committee

The purpose of the Appointments Committee is to advise the Board of Directors on applications for directorships. It must also assess the balance and diversity of the skills and experience possessed both individually and collectively by the Board's members. It must set targets for the balanced representation of men and women within the Board. At least once a year, it evaluates the composition of the Board and its effectiveness in carrying out its duties. It periodically reviews the Board's policies on the selection and appointment of effective managers. It is made up of the Chairman of the Board of Directors (who cannot be the Chairman of the Appointments Committee) and three directors. In 2019, it met on January 28.

The Remuneration Committee

Composed of a Chairman who is someone other than the Chairman of the Board of Directors and three federal directors, the Remuneration Committee meets at least once a year to advise the Board of Directors on setting the overall remuneration of the Caisse Fédérale's corporate officers. The Committee also examines the remuneration of executive managers who are not corporate officers and defines the principles governing the remuneration of the corporate officers of the main Group companies. The Remuneration Committee operates under internal regulations. In 2019, it met on January 28, March 11 and October 14.

2.2.3.2 Meetings of the Board of Directors

The Board of Directors met 11 times, once a month, except in August and November, and twice in April. The attendance rate of 91% reflects the strong commitment of the directors. The average length of meetings is two hours and forty-five minutes.

The agendas systematically included an update on current economic conditions and the institutional context, business results and risk monitoring in the area of credit. The directors were also given a regular round-up of market trends and their impact for CMNE.

2.2.3.3 Main items on the agenda of Board of Directors' meetings

January 28, 2019

- News
- Group business performance (Bankinsurance and Asset Management)
- Initial estimates of 2018 annual and consolidated earnings
- Presentation of 2019-2021 STE forecasts and ratios
- Presentation of SREP 2019 requirements
- Cash management agreement
- Summary of the Audit Committee meeting of December 10, 2018
- Contacts with the regulatory authorities: follow-up of recommendations
- Changes in points of sale

February 25, 2019

- News
- Group business performance (Bankinsurance and Asset Management)
- Fragile customer policy
- Approval of financial statements for the year ended December 31, 2018
- 2018 annual activity report
- Approval of the Caisse Fédérale's 2018 company financial statements and the global pro-forma financial statements
- Approval of the 2018 consolidated financial statements
- Statutory auditors' report

Regulated committees and Board governance

- Report of the Risk Committee meeting of February 7, 2019
- Approval review of the Group's risk appetite framework
- Cooperative auditor's report
- Report of the Appointments Committee meeting of January 28, 2019 and evaluation of the Board
- Report of the Remuneration Committee meeting of January 28, 2019 and compensation of directors
- Decisions to be made for the preparation and convening of Shareholders' Meetings
- 2019 Federation budget
- Re-examination of regulated agreements entered into previously and that remained in force in 2018
- Review of regulated agreements
- Examination of draft governance texts: general rules and articles of association
- Preparation of Combined Shareholders' Meetings – draft resolutions

March 25, 2019

- News
- Group Bankinsurance activity
- 2019 global pro-forma accounts forecasts
- Report of the Remuneration Committee meeting of March 25, 2019
- Report of the Audit Committee meeting of February 20, 2019
- Report of the Risk Committee meeting of March 14, 2019
- Group risk reporting at December 31, 2018
- GACM – CFCMNE relations
- Terms for the transfer of risk and control information under the Danish compromise
- Approval of the control charter
- 2018 annual report on internal control
- Bond issue authorization renewal
- Management report and corporate governance report
- Preparation of the Shareholders' Meetings of April 24, 2019
- Appointment of the Head of the Bankinsurance France Compliance Department

April 24, 2019

4 pm

- News
- ICAAP (Internal Capital Adequacy Assessment Process) report
- Reporting on Pillar 3
- ILAAP (Internal Liquidity Adequacy Assessment Process) report
- Summary of the Risk Committee meeting of April 11, 2019
- Quarterly follow-up to ECB recommendations

8 pm

- Welcoming of new directors
- Election of the Chairman of the Federation and Caisse Fédérale
- Election of the Vice-Chairmen, Secretary and Treasurer of the Federation
- Election of the Vice-Chairmen of Caisse Fédérale
- Composition of the Committee and the Regulated Committees

May 27, 2019

- News
- Economic context, impacts on banks and revision of strategic plans
- Bankinsurance and Asset Management news
- Summary of the Audit Committee meeting of April 30
- Summary of the Risk Committee meeting of April 30
- BCBS 239 – data quality governance framework
- Monitoring of GACM investment
- CMNE: 2018 highlights and impact on the financial statements

June 26, 2019

- News
- Market update
- Bankinsurance and Asset Management news
- Reflections on the future of CMNE Belgium
- Summary of the Audit Committee meeting of June 11
- Summary of the Risk Committee meeting of June 13
- RACI AML-CTF
- RCSI report to the AMF

July 26, 2019

- News
- Group Bankinsurance activity
- Changes in pricing
- Approval of the consolidated financial statements at June 30, 2019
- Work of the statutory auditors
- Interim management report
- Update of management forecasts at June 30 – global pro-forma scope
- CMNE Group consolidated projections 2019-2022 (based on end-March 2019) and solvency ratios
- Consolidation of Target2 and Target2 Securities
- Risk scorecard
- Contacts with the regulatory authorities: follow-up of ECB recommendations

September 30, 2019

- News
- Banking and financial news
- Network, Banking, GLF activity
- Approval of CFCMNE/CMNE Belgium merger treaty
- End-June 2019 Risk Reporting
- Report of the Risk Committee meeting of September 19
- GACM update

October 28, 2019

- News
- Business line activity
- NOBLE dossier
- Launch of next MTP
- Consolidated financial statements at September 30, 2019
- Report of the Audit Committee meeting of September 26
- Contacts with the regulatory authorities: follow-up of recommendations

November 25, 2019: cancelled

December 16, 2019

- News
- Business line activity
- LFIS update
- 2020 trends and MTP
- ETS multi-annual forecast
- CRP update
- Capital planning policy and balance sheet management charter
- SREP letter report
- Update to risk policy and appetite framework
- End-September Risk Reporting
- Report of the Audit Committee meeting of October 30
- Report of the Risk Committee meetings of November 4 and December 4
- GACM update

All meetings met the quorum and majority requirements laid down in the bylaws on first notice.

Minutes of Board meetings are approved at the following meeting. Such approval confirms that a faithful record has been taken of the work of the meeting.

The Works Council was represented at all meetings.

2.2.3.4 Dispatch of working documents

The members of the Board of Directors received all the information needed to carry out their work according to a predetermined schedule.

The digitized media are made available on secure servers.

The main documents and information provided to the directors and necessary for their work are the following:

- a memo on the economy;
- a monthly activity memo;
- summary notes on the activities of the Committees (Audit, Risk, Appointments, Remuneration);
- the company financial statements and the consolidated financial statements;
- briefing notes on matters submitted to Board members for approval;
- the PowerPoint presentations given during the session.

All persons attending Board of Directors meetings are bound by an obligation of confidentiality and non-disclosure with regard to the information provided or received in connection with those meetings.

2.2.3.5 Training program

To enable the directors to carry out their duties, CMNE has put in place a training plan, which is approved each year by the Appointments Committee. The two-hour sessions are led by the members of the Management Committee. They take place in the presence of the Board of Directors.

In 2019, six meetings were held on the following topics:

- Monday, March 25, 2019: “Risk Management – La Française Group”
- Monday, May 27, 2019: “Consequences of the application of IFRS 16”
- Monday June 24, 2019: “Group governance and risk management”
- Monday, September 30, 2019: “Solvency”
- Monday, October 28, 2019: “Liquidity management”
- Monday, December 16, 2019: “Compliance”

In 2020, the themes selected to cover the skills areas identified by the regulators are as follows:

- Banking and financial markets, strategic bank plans
- Audit and accounting
- ICAAP
- Financial information
- Fraud and Compliance/Financial Security
- Internal control and permanent control system, link with risk mapping and reporting (RACI, etc.)
- ALM management
- Governance and data quality policies (BCBS 239)
- Risk appetite and risk policy

2.3 INFORMATION REGARDING CORPORATE OFFICERS

In accordance with Article L. 225-102-1 of the French Commercial Code, a complete list of the offices and functions held by each of the Company's corporate officers in other companies is provided on pages 22 *et seq.*

Fixed remuneration is set by the Board of Directors after a comparative analysis of the remuneration of senior managers in similar positions. The payment of variable and exceptional components is conditional upon the ex-post approval of the Shareholders' Meeting.

2.3.1 Summary table of the remuneration of each executive corporate officer of the company

For 2018 and 2019, the amounts shown in the tables below include the remuneration paid by Caisse Fédérale du CMNE and all of the Group's subsidiaries.

ANDRÉ HALIPRÉ

Chairman	2019		2018	
In € thousands	Amounts due	Amounts paid	Amounts due	Amounts paid
1/ Fixed remuneration	250	250	250	180
2/ Variable annual remuneration	-	-	-	-
3/ Variable multi-annual remuneration	-	-	-	-
4/ Exceptional remuneration	-	-	-	-
5/ Attendance fees	-	-	-	-
6/ In-kind benefits	14	14	14	14
TOTAL	**264**	**264**	**264**	**194**
6/ In-kind benefits: company car + accommodation				

ÉRIC CHARPENTIER

Chief Executive Officer	2019		2018	
In € thousands	Amounts due	Amounts paid	Amounts due	Amounts paid
1/ Fixed remuneration	552	432	542	542
2/ Variable annual remuneration	111	67	140	84
3/ Variable multi-annual remuneration	-		-	77
4/ Exceptional remuneration	60	60	50	50
5/ Attendance fees	-	-	-	-
6/ In-kind benefits	3	3	3	3
TOTAL	**726**	**562**	**735**	**756**

2/ Variable annual remuneration

Variable remuneration equal to 1/1,000 of the Group's consolidated net free cash flow corresponding to the period (n-1), within the limit of 50% of gross annual remuneration; pursuant to CRD IV and EU CRR1, the deferred portion is 40%, which is paid in thirds over three years. Pursuant to Articles L. 511-77 and 83 of the French Monetary and Financial Code, the payment each year of the 40% share of variable remuneration from a previous fiscal year is reduced in the event of a negative change in the value of the "GOI net of cost of risk increased by the share of income from equity affiliates and under IFRS 5" (the index) recorded between the year of payment of the deferred premium and the premium of the reference year. To that end, a reduction is applied based on the change in the index in comparison to the reference year. If the index experienced a negative fluctuation over the period in question, the amount of the deferred premium is reduced by the same percentage. If the index experienced a negative fluctuation of more than 70%, the premium is abandoned.
The portions attributable to fiscal years 2015 to 2017 (a total of €68,834), for which payment was suspended on December 31, 2018, were abandoned.

3/ **Variable multi-annual remuneration**				
Amount paid for previous years	-	-	-	77
6/ **In-kind benefits**: company car				

CHRISTIAN NOBILI

Chief Operating Officer	2019		2018	
In € thousands	Amounts due	Amounts paid	Amounts due	Amounts paid
1/ Fixed remuneration	412	412	406	406
2/ Variable annual remuneration	73	44	93	56
3/ Variable multi-annual remuneration	-	14	-	44
4/ Exceptional remuneration	40	40	30	30
5/ Attendance fees	-	-	-	-
6/ In-kind benefits	3	3	3	3
TOTAL	**528**	**513**	**532**	**539**

2/ Variable annual remuneration

Variable remuneration equal to 0.66/1,000 of the Group's consolidated net free cash flow corresponding to the period (n-1), within the limit of 50% of gross annual remuneration; pursuant to CRD IV and EU CRR1, the deferred portion is 40%, which is paid in thirds over three years. Pursuant to Articles L. 5 11-77 and 83 of the French Monetary and Financial Code, the payment each year of the 40% share of variable remuneration from a previous fiscal year is reduced in the event of a negative change in the value of the "GOI net of cost of risk increased by the share of income from equity affiliates and under IFRS 5" (the index) recorded between the year of payment of the deferred premium and the premium of the reference year. To that end, a reduction is applied based on the change in the index in comparison to the reference year. If the index experienced a negative fluctuation over the period in question, the amount of the deferred premium is reduced by the same percentage. If the index experienced a negative fluctuation of more than 70%, the premium is abandoned.
The portions attributable to fiscal years 2015 to 2017 (a total of €28,619), for which payment was suspended on December 31, 2018, were abandoned.

3/ Variable multi-annual remuneration

Amount paid for previous years	-	14	-	44

6/ In-kind benefits: company car

2.3.2 Supplementary pension plans

ANDRÉ HALIPRÉ

	Employment contract		Supplementary pension plan		Payments or benefits due or liable to be due as a result of the termination of an appointment or change in responsibilities		Payments relating to a non-compete clause	
Chairman	yes	no	yes	no	yes	no	yes	no
First term of office: January 2016	x			x		x		x

ÉRIC CHARPENTIER

	Employment contract		Supplementary pension plan[1]		Payments or benefits due or liable to be due as a result of the termination of an appointment or change in responsibilities[2]		Payments relating to a non-compete clause	
Chief Executive Officer	yes	no	yes	no	yes	no	yes	no
June 2006	x		x		x			x

*(1) **Supplementary pension plan***

Defined benefit plan (Article 39) granted in return for the relinquishment of 10 days' leave granted to senior management (under the agreement of June 30, 1999); this plan provides a supplementary pension equal to a maximum of 9% of the gross salary received in the 12 months prior to departure – exclusive of gratuities and bonuses – provided that the recipient is 65 years old and entitled to the payment of a pension. Entitlements are funded through contributions to a collective fund set up by Caisse Fédérale du CMNE, which is exempt from social security contributions. Annual pension payments are estimated to total €41 thousand at December 31, 2019. This estimate does not take into account beneficiaries' length of service and was calculated based on 2019 gross annual salaries, regardless of the terms of the commitment.

*(2) **Payments liable to be due as a result of the termination of an appointment or change in responsibilities***

Apart from in cases of serious and gross misconduct, the severance payment is equal to the final two years' annual gross salary (fixed and variable portions) in addition to the components provided for in the collective agreement.

CHRISTIAN NOBILI

	Employment contract		Supplementary pension plan[1]		Payments or benefits due or liable to be due as a result of the termination of an appointment or change in responsibilities[2]		Payments relating to a non-compete clause	
Chief Operating Officer	yes	no	yes	no	yes	no	yes	no
April 2008	x		x		x			x

*(1) **Caisse Fédérale CMNE supplementary pension plan***

Defined benefit plan (Article 39) granted in return for the relinquishment of 10 days' leave granted to senior management (under the agreement of June 30, 1999); this plan provides a supplementary pension equal to a maximum of 9% of the gross salary received in the 12 months prior to departure – exclusive of gratuities and bonuses – provided that the recipient is 65 years old and entitled to the payment of a pension. Entitlements are funded through contributions to a collective fund set up by Caisse Fédérale du CMNE, which is exempt from social security contributions. Annual pension payments are estimated to total €37 thousand at December 31, 2019. This estimate does not take into account beneficiaries' length of service and was calculated based on 2019 gross annual salaries, regardless of the terms of the commitment. Beobank Life and Death pension agreement.

Beobank has a defined contribution scheme under which it pays contributions to employees' personal pension plans until the date they leave the company. No amount was paid by the company in 2019. When they retire, or on their planned retirement date, scheme members are entitled to the reserves constituted from earned premiums and their share of the growth in the fund's value.

*(2) **Payments liable to be due as a result of the termination of an appointment or change in responsibilities***

Apart from in cases of serious and gross misconduct, the severance payment is equal to 150% of the annual gross salary in addition to the components provided for in the collective agreement.

2.3.3 Conflicts of interest

To the best of Crédit Mutuel Nord Europe's knowledge, there are no potential conflicts of interest between Board members, the Chief Executive Officer's and the Chief Operating Officer's duties to the Group, and their private interests.

2.3.4 Post-balance sheet items – Measures taken in the Covid-19 health crisis

The Caisse Fédérale du CMNE Remuneration Committee, which met on March 16, 2020, approved the principle of variable remuneration for 2019 and previous financial years of €136,433, to be paid in 2020 for the Chief Executive Officer, and €90,046, to be paid in 2020 for the Deputy Chief Executive Officer. These amounts were presented to the Board of Directors of the Caisse Fédérale on March 23, 2020.

In view of the Covid-19 health crisis in the country, both interested parties have requested that this amount be halved and the unpaid amount be contributed to a Covid-19 support fund established by the Board of Directors on April 27, 2020.

2.4 TOTAL AMOUNT OF REMUNERATION OF STAFF ENGAGED IN CONTROL FUNCTIONS AND RISK-TAKERS

2.4.1 Opinion on the total amount of remuneration, as required by Article L. 511-41-1-B of the French Monetary and Financial Code

French Order No. 2014-158 of February 20, 2014, which contains various provisions for adapting financial legislation to EU law and transposes the CRD IV directive, introduced Article L. 511-73 into the French Monetary and Financial Code which stipulates that "The Ordinary Shareholders' Meeting of credit institutions and finance companies shall be consulted annually regarding the overall amount of remuneration of any kind paid during the previous year to the persons mentioned in Article L. 511-71". These include the accountable managers and the categories of employees, including risk-takers and persons performing a control function and any employee who, based on his or her total income, is in the same salary bracket, whose professional activities have a material impact on the risk profile of the company or Group.

The Shareholders' Meeting was asked to approve the said total amount of remuneration, which stands at €4,356,374 for 2019 and which includes the fixed and variable remuneration paid.

2.5 LIST OF OFFICES AND FUNCTIONS AT 12/31/19

André HALIPRÉ

In France	Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Vitry-le-François
	Permanent representative	ASSURANCES CRÉDIT MUTUEL IARD (SA) Strasbourg – RP de la CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director)
		AXIOM (SAS) RP de CIRHYO (Director)
Abroad	Chairman of the Board of Directors	CMNE BELGIUM (SA) – Bruxelles – term ended 12/31/19
	Vice-Chairman of the Board of Directors	BEOBANK NV/SA – Bruxelles

Éric CHARPENTIER

In France	Chief Executive Officer	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Chairman of the Board of Directors	SCIENCES PO Lille
	Chairman of the Supervisory Board	GROUPE LA FRANÇAISE (SA) Paris
	Director	CONFÉDÉRATION NATIONALE DU CRÉDIT MUTUEL Paris
		CRÉDIT INDUSTRIEL ET COMMERCIAL (SA) Paris
		CAISSE CENTRALE DE CRÉDIT MUTUEL (Cooperative SA) Paris
		SOCIÉTÉ FONCIÈRE ET IMMOBILIÈRE NORD EUROPE (SAS with variable capital) Lille
		EURATECHNOLOGIES (SA) Lille
	Permanent representative	GROUPE DES ASSURANCES DU CRÉDIT MUTUEL (SA) Strasbourg Representative of CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Supervisory Board)
		EURO INFORMATION (SAS) Strasbourg Representative of CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Management Board)
	Co-Managing Partner	SCI PANTHEON AREA
Abroad	Chairman of the Board of Directors	BEOBANK Belgique (SA)
		BANQUE DE TUNISIE (SA) Tunis
	Chairman of the Management Committee and Director	CRÉDIT MUTUEL NORD EUROPE BELGIUM (SA) – *term ended 12/31/19*
	Permanent representative	ASTREE ASSURANCES (SA) Tunis – Filiale BANQUE DE TUNISIE RP de la BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL (Director)

Christian NOBILI

In France	Chief Operating Officer	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Chairman of the Board of Directors	BAIL ACTEA IMMOBILIER (formerly NORD EUROPE LEASE) (SA) Lille
		BAIL ACTEA (SA) Lille
	Member of the Board of Directors	SOCIÉTÉ IMMOBILIÈRE ET FONCIÈRE NORD EUROPE (SAS) Lille
	Permanent representative	GROUPE LA FRANÇAISE (SA) Paris Representative of CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Supervisory Board)
	Director and Manager	CMNE BELGIUM (SA) Belgium – *term ended 12/31/19*
Abroad	Director	BEOBANK (SA) Belgium

Dominique BUR

In France	Vice-Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

Philippe CACAUX

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Beauvais
	Chairman	TPLP (SAS) Beauvais
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	LECAMONT 30 (SCI) Beauvais
	Co-managing Partner	EUROPE 25 (SCI) Guignecourt

Christine DEBOUBERT

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Tourcoing République
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE SOLIDAIRE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative Company) Lille

Sabine DUCROCQ

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Boulogne-sur-Mer
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	JARDINERIE D'HESDIGNEUL (Limited Company) Hesdigneul-lès-Boulogne
		IDULA (SARL) – Pont-de-Briques Saint-Étienne
		HOLDING SABINE DUCROCQ – LANOY (Non-commercial company) Hesdigneul-lès-Boulogne
		OPALE PLANTES (Limited Company) Hesdigneul-lès-Boulogne
		SCI ACACIA – Pont-de-Briques Saint-Étienne
		SCI SAGACAY – Pont-de-Briques Saint-Étienne
		SCI LA MAISON DE BREQUERECQUE – Pont-de-Briques Saint-Étienne
		SCI LA MAISON DU BRAS D'OR – Pont-de-Briques Saint-Étienne
		SCI LES JARDINS D HESDIGNEUL – Hesdigneul-lès-Boulogne
		SCI LES OLIVIERS – Hesdigneul-lès-Boulogne
		SCI L HYBISCUS – Hesdigneul-lès-Boulogne

Vania FOSSAERT

In France	Vice-Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Pérenchies
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	LES PIERRES BLEUES (Limited Company) Verlinghem

Michel HEDIN

In France	Member of the Supervisory Board	GROUPE LA FRANÇAISE (SA with Executive and Supervisory Boards) Paris
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Étaples

Véronique HOSTI

In France	Director (representing employees)	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	SCI LIBRHOSTI (MOUVAUX)

Catherine LAMBLIN-MESSIEN

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Cambrai
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE CENTRALE DU CRÉDIT MUTUEL (Cooperative SA) Paris
		CONFEDERATION NATIONALE DU CRÉDIT MUTUEL – Paris
	Managing Partner	COFIDINE (Limited Company) Bouchain
		SCI LIBELLULE Cantaing-sur-Escaut
		SCI CLM Cantaing-sur-Escaut

Patrick LIMPENS

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Saint-Quentin
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Managing Partner	SCI RÉSIDENCE Remicourt
	Managing Partner	SCI LE GARAGE de Saint-Quentin

Jocelyne MORLON

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Charleville Mézières
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

Olivier OGER

In France	Chairman of the Board of Directors	SCIENTIFIC BETA (SAS) NICE
	Vice-Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL DE VILLENEUVE D'ASCQ (Cooperative Company)
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Member of the Supervisory Board	GROUPE LA FRANÇAISE (SA with Executive and Supervisory Boards) Paris
Abroad	Chairman	SHEEF (Singapore Holding of the EDHEC Endowment Fund) Pte Ltd
		SCIENTIFIC INFRA – Pte Ltd – SINGAPORE
		SCIENTIFIC ANALYTIES – Pte Ltd – SINGAPORE
	Director	SCIENTIFIC BETA – Pte Ltd – SINGAPORE

Damien PELLETIER

In France	Director (representing employees)	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

Alain POISSONNIER

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Senlis
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Abroad	Director	CRÉDIT MUTUEL NORD EUROPE BELGIUM (SA) Bruxelles – *term ended 12/31/19*

Nathalie POLVECHE

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Le Quesnoy
	Vice Chairman	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Co-Managing Partner	BIOPATH (Professional limited liability company) Coquelles (62)

Fabienne RIGAUT

In France	Président du Conseil d'administration	CAISSE DE CRÉDIT MUTUEL (Société Coopérative) Le Quesnoy
	Vice-Président	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (SA coopérative) Lille

Christine THYBAUT

In France	Chairman of the Board of Directors	CAISSE SOLIDAIRE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative Company)
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Hazebrouck

Jacques VANBREMEERSCH

In France	Chairman of the Board of Directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Steenvoorde
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

Luc WYNANT

In France	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
A l'étranger	Director	BEOBANK (SA) Belgium

2.6 REGULATED AGREEMENTS

The statutory auditors were informed that no agreements giving rise to the application of Article L. 225-86 of the French Commercial Code were entered into during the past financial year.

2.7 INFORMATION ON THE CAPITAL

2.7.1 Share capital

The share capital is held by members of the local banks, who may be individuals or legal entities, who have subscribed for at least 15 shares that are restricted and subject to the Board of Directors' approval.

2.7.1.1 Amount of subscribed capital and class of shares

At December 31, 2019, the share capital was €1,377 billion.

The capital of the local banks is made up of four types of shares and fluctuates due to the transferability of some share classes in accordance with the status of mutual companies with variable capital:

- **A shares** (restricted) with a par value of €1;
- **B shares** (transferable) with a par value of €1;
- **C shares** (transferable with five years' notice) with a par value of €1;
- **F shares** (transferable with five years' notice) with a par value of €500.

B and F shares ceased to be available to the public on June 1, 2011. C shares have replaced B shares since that date. Like F shares, C shares have a notice period of five years from the time the member requests reimbursement. Such reimbursement is also subject to the approval of the Board of Directors of the local bank. Total shares issued during 2019 amounted to €75.6 million (gross inflows restated for internal transfers).

CHANGES IN CAPITAL

Types of shares *In € millions*	2019	2018
A shares	45	48
B shares	86	100
C shares	1,217	1,124
F shares	29	32
TOTAL	**1,377**	**1,304**

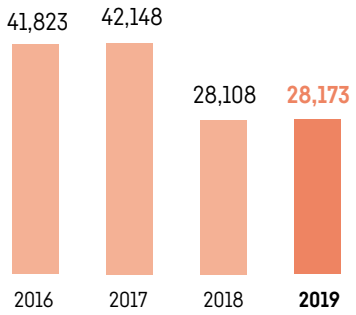
2.7.1.2 Remuneration of company shares

A shares receive no remuneration. B, C and F shares receive an amount of remuneration set by the Shareholders' Meeting of each local bank, within the limits provided for by cooperative status and in accordance with the guidelines laid down by the federal Board of Directors as part of the General Operating Regulations, which carry the same value as the bylaws.

In 2019, the annual return on the shares was 0.75% for B shares, 1.50% for C shares and 2.81% for F shares, capped at the average bond yield +200 bp.

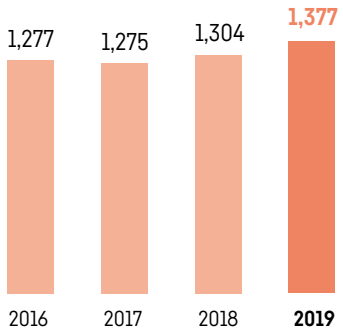
TOTAL BILAN

In € millions



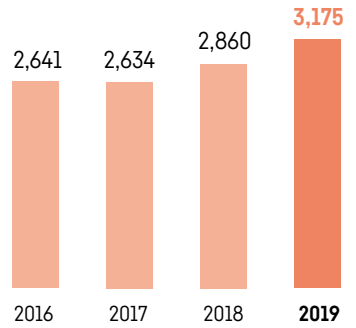
CAPITAL
(A, B, C AND F SHARES)

In € millions



SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (EXCLUDING PROFIT OR LOSS)

(Carrying value of shareholders' equity – in € millions)



In the context of the Covid-19 Crisis, the European Central Bank (ECB) has enjoined all European banks to refrain from distributing dividends until at least October 1, 2020 to preserve their financial soundness and ability to finance the economy as much as possible.

The Confédération Nationale du Crédit Mutuel (CNCM), to which the law entrusts the role of ensuring the cohesion of the Crédit Mutuel network and the smooth operation of all branches, was required, in this context, to make a decision applicable to all branches. The Board of Directors of CNCM adopted the following decision on April 8, 2020:

- the amount of remuneration in shares for 2019 will remain fixed by the Shareholders' Meeting of each local bank, in accordance with the applicable statutory and federal provisions;
- unlike in previous years, remuneration in shares will be exclusively in the form of new shares. Only the remaining part of remuneration that does not allow for the granting of a full share will be allocated in cash;
- such issue will take place exceptionally in 2020 on September 30.

2.7.2 Non-equity securities

The Caisse Fédérale regularly issues additional capital securities (Tier 2 and equivalent). It issued a security for €300 million in 2016. No securities were issued in 2019.

2.7.3 Capital management

The Crédit Mutuel Nord Europe Group is subject to French capital adequacy regulations that transpose European directives. The risk assessment methodologies applied are compliant with regulatory standards and with the definitions adopted by the Crédit Mutuel Group.

Crédit Mutuel Nord Europe complies with all regulatory ratios that it is subject to.

In € millions	12/31/19	12/31/18
Common Equity Tier One	2,772	2,438
Additional Tier One	45	60
Tier Two	665	658
Total CRR capital	**3,482**	**3,156**
Risk-weighted assets	14,920	15,384
Solvency ratio	**23.34%**	**20.52%**
CET 1 ratio	18.58%	15.85%
T1 ratio	18.88%	16.24%

2.7.3.1 Capital

Pursuant to the provisions of CRBF Regulation No. 2000-03, networks of institutions that have a central body must comply with management ratios on a consolidated basis (market risk and credit risk, major risks, equity investments and internal control).

The consolidating entity and the prudential supervision scope of CMNE are identical to those used for the Group's consolidated financial statements.

Only the consolidation method changes, particularly for the insurance companies, which are fully consolidated for accounting purposes and consolidated using the equity method for prudential purposes.

The global capital adequacy ratio measures the capital requirement needed to cover credit, market and operating risks. Under Basel III standards, total capital is the sum of "Common Equity Tier One" i.e. company shares and reserves, additional Tier One capital, i.e. perpetual Super-Subordinated Notes, Tier Two capital, i.e. Redeemable Subordinated Notes less regulatory deductions (some investments in non-consolidated or equity-accounted financial institutions).

CMNE calculates the global capital adequacy ratio on the basis of the consolidated financial statements prepared in accordance with IFRS, applying the prudential consolidation scope. The carrying value of shareholders' equity is restated to take into account the effect of prudential filters whose purpose is to reduce the volatility of shareholders' equity brought about by the international standards, notably the introduction of fair value.

2.7.3.2 Capital management

As part of the management of its shareholders' equity, the Group ensures that its level of solvency is compatible with maintaining its financial strength and that shareholders' equity is appropriately allocated to the various business lines to ensure that the Group is able to withstand stress scenarios.

As part of the planning process implemented by the Confédération Nationale du Crédit Mutuel, CMNE has an **Internal Capital Adequacy Assessment Process (ICAAP)** to measure the adequacy of capital ratios in relation to regulatory requirements and the Group's objectives in connection with its risk appetite (credit, market, interest rate, operating, reputational and insurance risks).

The Group has formalized an overall policy regarding capital planning, including a forward-looking vision that factors in the risks involved in its strategy and environment. The purpose of this planning is to secure the CMNE Group's business development while maintaining its solvency in compliance with prudential rules. It also aims to optimize the allocation of capital by balancing regulatory requirements, commercial development, and the profitability of the business model.

The quality of CMNE's consolidated balance sheet contributes to the Crédit Mutuel Group's **long-term rating of "A with a negative outlook" and short-term rating of "A-1" issued by the Standard & Poor's agency** on April 23, 2020.


P
PRIORITY MAIL

3

ACTIVITY AND MANAGEMENT REPORT

3.1 BANKINSURANCE

FRANCE NETWORK

2,503
Employees

297
Points of sale

1,004,516
Customers and members

ACTIVITIES

In 2019, economic activity in the Hauts-de-France was dynamic. The region's unemployment rate at the end of the year fell to 10% of the working population (around 11% in 2018), although still higher than the rate for metropolitan France in the same period (8.1%). The number of insolvencies, which had increased in 2018 after several years of decline, fell again in 2019. Today, one in ten employees in the Hauts-de-France region works for a foreign-owned company. With more than 6 million inhabitants, the Hauts-de-France is the second most densely populated region in France, and also the youngest after Île-de-France. It is therefore a high-potential region, playing host to major research bodies that offer excellence in innovation.

In 2019, CMNE's French network continued to develop against a more advantageous economic backdrop, innovating its services for the benefit of users and managing omnipresent regulatory constraints. In 2020, CMNE must face the health crisis, which is impacting its activities. Thanks to its financial solidity, which is one of the strongest in the industry, CMNE is mobilizing for its clients.

A new organization for greater efficiency

The CMNE Group continued to optimize its organization, notably with the integration of Bail Actea into the France Division. The entity is thus part of the support functions and the sales teams are attached to CMNE teams.

The objective is to offer our clients "integrated" branches, ranging from professionals to ISEs and offering both banking services and equipment and real estate leasing.

Pursuing the Group's ambitions

2019 was a year of consolidation and continued innovation: strengthening the diversification and amplifying the digitalization of its offering, implementation of strong authentication, etc.

Income diversification remains vital for the Group to be able to deal with the low interest rate environment that has prevailed over the last number of years; the sales network has been doing this for several years. This is borne out by results in consumer credit, real estate and services, which continue to show growth.

In particular, the CMNE Group confirmed its leading position in the real estate segment across all formats: financing of investment or secondary residence, real estate investment trusts, property management mandates, etc.

Focus on network adaptation: the customer at the heart of our model

In order to respond to the new expectations of customers and consumers, and to changes in society and working methods, CMNE has initiated various projects to adapt the network.

First of all, the Bank has set up technological and innovation projects, in particular:

- the e-mail analyzer, a virtual assistant for advisors, allowing them to classify customer e-mails and make proposals for rapid responses to advisors;
- development of cognitive solutions and optical recognition;
- ongoing dematerialization: contracts, signature, monitoring of real estate loans, remote viewing of checks.

CMNE has also undertaken the modification of its branches through various projects:

- the "Collective Performance Management" approach, which consists of further improving the performance of sales representatives by involving them more in decision-making;
- shared activity, allowing advisors to increase their performance through greater responsiveness;
- the modularity of the branches, which adapt their opening hours and offer periods available by appointment only. This is to be in phase with the needs of customers and operating sites.

These projects reflect CMNE Group's ambition to offer the best services to its customers.

NEW BUSINESS AND OUTSTANDINGS

Savings: a strong performance in an uncertain environment

The French Bankinsurance network (Retail, Professional, Corporate and Leasing) continued to work hard in all areas.

The low interest rate environment and economic uncertainties helped to increase the precautionary savings of our customers and members in the form of passbook accounts and shares.

In insurance-based savings, the sales network managed to stay the course and maintain its ambitions in a more favorable 2019 stock market environment and despite the many uncertainties that prevail.

Savings accounts

As in previous years, savings accounts remained solid with cumulative net inflows of €610 million, driven mainly by checking accounts, passbook accounts and mortgage savings accounts. Outstandings stood at €12,785 million, up 5.7%.

Financial savings

Net inflows were €64 million in 2019, mainly in shares, including €17 million of reinvested interest. As a result, outstandings reached €3,143 million, up 7.6% compared to 2018.

Insurance-based savings

In line with index trends, 2019 was a good year overall for insurance-based savings, with a 2.9% increase in outstandings to €7,438 million, despite a net outflow of €23 million.

3

Credit: margins maintained in home loans, growth in profitability of consumer credit, momentum maintained in investment by professional/corporate customers

Overall, total new lending business rose by 4.4% versus the end of December 2018.

In **consumer credit**, production in 2019 was slightly down on 2018 (after several years of steady growth, however) and remains at high levels at €770 million, compared with €781 million last year (-1.4%). However, outstandings continued to grow, up 5.8% to €1,404 million.

In **real estate loans**, production in 2019 was dynamic and increased by nearly 13% to €1,275 million. With an ongoing prudent risk policy, outstandings rose favorably by +3.5% to €6,807 million.

New **business in loans to professionals and farmers (including ISEs)**, came to €543 million, a slight decrease of 4% in 2019. Overall outstandings remained stable at €2,303 million.

Cumulatively, after an already record year in 2018, **leases** continued to record very good commercial performances with €564 million of new business (+5.2%) and €1,520 million of outstandings (+4.7%), including:

- €536 million in new business for Bail Actéa in equipment leasing (+3.9%) in a context of persistently low interest rates and very strong competition (outstandings of €1,185 million at the end of 2019, up 7.8%);
- €28 million in new business for Bail Actéa Immobilier (formerly NEL) and outstandings of €335 million at the end of 2019.

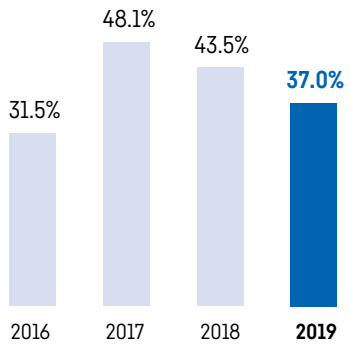
INSURANCE: STEADFAST IN ITS ROLE AS A BANKINSURANCE PROVIDER, CMNE STRENGTHENED ITS OFFERING

Following the integration of Nord Europe Assurances into Groupe des Assurances du Crédit Mutuel (GACM) in June 2018, the CMNE Group has a broader catalog of insurance products and services. Relying on a company with a balance sheet total in excess of €141 billion, CMNE benefits from economies of scale and additional resources to offer increasingly innovative products and services tailored to its customers.

The range composed exclusively of GACM's products and services is distributed in France as well as in Belgium and offers all the so-called standard policies: home insurance, loan insurance, health insurance, as well as supplementary insurance, personal protection, care insurance and insurance for pets, thus covering every need of CMNE Group's customers.

UL contracts accounted for 37% of inflows in 2019

UL AS A PERCENTAGE OF SAVINGS PREMIUM INCOME



In life insurance, the sales network remained highly mobilized around the objective of developing UL contracts.

Even if the indexes all appreciated in 2019 (+26.4% for the CAC 40 for example), many factors of uncertainty remain in 2020, such as international relations in Europe and the rest of the world (Sino-American tensions, implementation of Brexit, migration crisis, Covid-19 pandemic) or social tensions in France (pension bill, yellow jackets crisis).

The favorable environment in 2019 enabled outstandings to increase by 2.9% to €7,438 million, despite a net outflow of €23 million in insurance-based savings.

Sustainable growth in property and personal insurance against a backdrop of net outflows

In **property insurance**, the number of subscriptions fell by 13.5%, with a breakdown of 57% for auto policies and 43% home insurance out of a total of 70,323 new policies.

The number of new **personal insurance** policies also declined, falling by 8.7%, with 47,755 new policies, of which 21% health insurance and 79% personal protection.

SERVICES: ALWAYS ON HAND FOR OUR CUSTOMERS

Telephony

In 2019, CMNE continued to market its web and telephone offer exclusively remotely. This new mobile telephony offering, launched in 2018, draws on the solid experience of the Crédit Mutuel Alliance Fédérale Group and the joint subsidiary Euro-Information, and represents an additional service for customers while meeting the challenge of revenue diversification.

Activity almost doubled in 2019 and now represents an inventory of 1,307 contracts at December 31, 2019.

Provol

As in 2018, the Homiris (formerly Provol) remote surveillance service was the focus of a general mobilization of the CMNE teams in 2019. The results are on target, with 2,699 new contracts and a 12.0% increase in inventory, i.e. 25,180 contracts.

AFEDIM

As in the previous eight years, CMNE confirmed its capacity to sell new properties, generating 1,000 home reservations in 2019 and confirming its rank as the national leader for the seventh year in a row. In total, 3,638 new homes have been delivered since 2011, with 2,200 Zen Invest management mandates in the portfolio.

Focus on real estate

The real estate activity currently offers customers a broad range of so-called standard products and services: rental, rent-to-buy, “Flexipropriété” (flexible ownership), standard purchase, real estate investment.

In 2019, however, CMNE continued to develop its last three key innovations in this area:

- **Viager**: in partnership with Renée Costes Viager, the network offers a quality investment solution for its customers-members that also meets the increasingly significant needs of senior customers.
- **Envolimmo**: this is the name for the “balloon loans” offered by CMNE. It enables customers to purchase real estate with a final loan repayment corresponding to no more than 50% of the property’s purchase price. The monthly payments can be adapted to facilitate acquisition by a young customer base who expect their income levels to increase in future years. At the end of the loan transaction, the customer has two options: to repay the loan with their own funds or by selling the property, or take out a new loan to meet the final repayment with a loan term based on their age and income.
- **Flexipropriété**: this is an intermediate offering between a lease and a standard purchase. This new concept is tailored to the lifestyles of working people, helping to boost their purchasing power so they can acquire their home.

SIMPLIFIED RESULTS

INCOME STATEMENT

In € thousands	12/31/19	12/31/18	Change
Net banking income	**594,013**	**438,058**	**155,955**
of which net interest margin	192,238	178,960	13,278
of which commissions	178,371	206,525	-28,154
General operating expenses	-349,223	-341,425	-7,798
Gross operating income/(loss)	**244,790**	**96,633**	**148,157**
Net additions to/reversals from provisions for loan losses	-12,548	-3,702	-8,846
Operating income	**232,242**	**92,931**	**139,311**
Gains (losses) on other assets	363	748	-385
Pre-tax profit/loss	**232,605**	**93,679**	**138,926**
Corporate income tax	-9,729	-19,449	9,720
Post-tax gain/loss on discontinued assets		372	-372
Total net income	**222,876**	**74,602**	**148,274**
Non-controlling interests	-11	101	-112
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**222,887**	**74,501**	**148,386**

The net banking income of the French Bankinsurance network increased by €156 million to €594 million.

This increase mainly reflects the dividend received from GACM (€192 million, of which €143 million is a special dividend), not eliminated within the Bankinsurance France division, which mainly comprises the Caisse Fédérale, local banks, leasing entities and cost-sharing groups.

General operating expenses increased by €7.8 million, due to an incentive bonuses and profit-sharing scheme to be paid to employees following the exceptional dividend received.

The cost of risk increased by €8.8 million, mainly as a result of the updating of statistical parameters used to calculate impairments on non-performing and disputed receivables.

In total, net profit/(loss) attributable to the Group increased by €148.4 million.

BELGIUM NETWORK

1,007
Employees

223
Points of sale

751,562
Customers

ACTIVITIES

Beobank's goal is to become the bank with the most comprehensive offering of products and services in Belgium. In 2019, despite the difficult economic context, it therefore continued to strengthen the structure of its various activities. It also continued to work on its sales development policy, with initiatives across all of its product and service ranges and an increasingly targeted but strong presence in regional and national media to establish Beobank's expertise and reputation on the Belgian market.

2019 marked the development of Beobank's activities with the identification of several priority growth projects so that it can continue to support customers at all stages of their lives with customized solutions.

Following the successful IT migration in December 2018 and the intense post-migration mobilization of the various teams at the beginning of the year, Beobank has a solid base to support its growth projects and the acceleration of its daily activities. Moreover, the synergies generated with the French activities mean it can offer its Belgian customer base innovative services, such as remote surveillance.

Beobank: a bankinsurance provider in its own right

2019 was a two-part year, marked by a start to the year that was still very much post-IT migration oriented and a second half focused on developing Beobank's growth and expanding customer services.

Beobank continued to work on its sales development policy with initiatives across its entire range of products and services with, for example, the launch of Codabox and Beobank Leasing for professional customers.

In non-banking products, collaboration with Euro Protection Surveillance (EPS) enabled the launch of **Beobank Home Secure**, an alarm system based on a monthly subscription formula, in February 2019. This launch allows the diversification of revenues and the evolution of the banking business line.

In November, the range of non-life insurance products was expanded with the launch of **two-wheeler insurance** in collaboration with Groupe des Assurances du Crédit Mutuel (GACM). Customer services have also been enhanced with two new features: instant payment, which makes it possible to make payments in 5 seconds between affiliated banks, and the use of the Itsme® application to connect to the Beobank Online application.

To support this development, various campaigns were launched during the year, such as the Home Secure campaign in February 2019 and the Comfort Loan campaign in June 2019, in order to ensure the continuity of Beobank's good brand image on the Belgian market and the continued fulfillment of the slogan "you are in good hands". This translated into 88% brand awareness by August 2019, complemented by a consumer perception of a young, dynamic and modern bank. These elements are supported by a **customer satisfaction rate of 81%** according to the study conducted in November 2019.

Improvements for the customer and for the company

At the network level, further development of the **"OPEN" branch concept**, with the renovation of several new branches. These revamped branches are strongly focused on a user-friendly, human and informative approach and adapted to the changing needs of the Belgian consumer.

For the project of the **new single head office**, named Beobank House, the "First Installation" works have been defined in relation to the chosen concept of the future building. The latter aims to regroup all the employees in a single head office, instead of two at present. The evaluation and selection of furniture and computer equipment has begun. Preparations are continuing in order to ensure effective support for the move by 2021.

At the same time, Beobank embarked on an internal paper reduction project at its two head offices. The **"Zero Paper"** approach initially aims to reduce the consumption and storage of paper documents in order to increase efficiency, reduce physical storage space, improve the company's environmental footprint and save money. The scope of action will then be broadened in order to provide all employees with the best possible support on other related subjects.

NEW BUSINESS AND OUTSTANDINGS

Savings

Savings accounts

The deposit portfolio is up 4% compared to 2018, reaching €4.47 billion. This growth was driven by deposits on current accounts and the opening of individual customer current accounts.

Financial savings

The financial savings portfolio rose to €1.64 billion in 2019, driven by favorable financial markets.

Insurance-based savings

The insurance-based savings portfolio is down, given the low interest rate environment and less advantageous taxation. Outstandings amounted to €1.47 billion, down 7%.

Loans

- New **personal loans** totaled €594 million and the portfolio amounted to €2.09 billion, up 3% compared to 2018.
- The **mortgage** portfolio was at an all-time high in 2019. It increased by 22% to €2.37 billion, with €711 million in new loans.
- Positions in short-term loans for **professionals** increased by 16% for an outstanding amount of €75 million, with gross new lending up compared to 2018 (€41 million).

Focus: loans to professionals

In terms of professional activity, thanks to the segment's redeployment strategy, new business in investment loans saw a turning point in 2019, with production up compared to last year, whereas this production had been in continuous decline for more than 4 years.

3

SERVICES: ALWAYS ON HAND FOR OUR CUSTOMERS

Credit cards
With 30,620 new cards produced, outstanding cards were down 3% to €402 million.

Insurance
At the end of 2017, Beobank launched the P&C (property and casualty insurance) product range. In 2019, 15,052 contracts were written, an increase of 18.7% over 2018. The number of personal insurance policies was 562.

Non-banking products
In 2019, the first "beyond banking" product was launched, Beobank Home Secure, a product in line with Beobank's strategy to support and protect customers in their various life projects. 1,839 applications were received and 1,339 installations were completed.

SIMPLIFIED RESULTS

INCOME STATEMENT

In € thousands	12/31/19	12/31/18	Change
Net banking income	**243,836**	**253,527**	**-9,691**
of which net interest margin	204,458	207,820	-3,362
of which commissions	36,889	49,106	-12,217
General operating expenses	-223,086	-282,811	59,725
Gross operating income/(loss)	**20,750**	**-29,284**	**50,034**
Net additions to/reversals from provisions for loan losses	-9,387	2,087	-11,474
Operating income	**11,363**	**-27,197**	**38,560**
Gains (losses) on other assets	-121	44,522	-44,643
Pre-tax profit/loss	**11,242**	**17,325**	**-6,083**
Corporate income tax	-2,023	2,790	-4,813
Total net income	**9,219**	**20,115**	**-10,896**
Non-controlling interests	17	5	12
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**9,202**	**20,110**	**-10,908**

Net Banking Income decreased by €9.7 million. This is mainly due to a decline in the net interest margin in a context of low interest rates which penalized the return on credit.

The decrease in general operating expenses, amounting to €223 million, is related to the end of the EOLE project, which negatively impacted the accounts in 2017 and 2018.

The cost of risk amounted to -€9.4 million. In 2018, the division recorded significant reversals of impairment losses.

In 2018, the division recorded a capital gain of €44 million following the sale of Immo W16.

Net income attributable to owners of the company, after tax, of the Belgian Bankinsurance network came out at €9.2 million, down €1.9 million compared with 2018.

SIMPLIFIED BALANCE SHEET OF THE BANKINSURANCE DIVISION

The Bankinsurance division comprises CMNE's French network and the Beobank network, as well as the equipment and real estate leasing companies. This mainly includes the Caisse Fédérale, the local bank networks and corporate business centers in France, directly-owned branches and the retail outlets of delegated agents in Belgium, Bail Actéa and Bail Actéa Immobilier. This division also houses the Insurance activity due to the stake acquired in GACM, which is consolidated using the equity method. It also includes the cost-sharing groups and companies, primarily in real estate. This division's contribution to the consolidated financial statements of the CMNE Group is reflected in the figures below:

IFRS CONSOLIDATED FINANCIAL STATEMENTS

In € thousands	12/31/19	12/31/18	Change
ASSETS			
Financial assets at fair value through profit or loss	1,147,151	826,487	320,664
Hedging derivative instruments	8,367	15,223	-6,856
Financial assets at fair value through equity	3,008,461	3,151,341	-142,880
Loans and receivables due from credit institutions	3,975,769	4,424,625	-448,856
Loans and receivables due from customers	17,490,039	16,761,622	728,417
Remeasurement adjustment on interest rate risk hedged portfolios	50,543	28,370	22,173
Securities at amortized cost	150,442	146,606	3,836
Accruals and other assets	472,673	459,418	13,255
Investments in associates	1,234,181	1,279,672	-45,491
Property, equipment and intangible assets	362,659	255,395	107,264
Goodwill	2,027	2,027	-
TOTAL	**27,902,312**	**27,350,786**	**551,526**
LIABILITIES			
Financial liabilities at fair value through profit or loss	597,133	268,411	328,722
Hedging derivative instruments	62,245	69,119	-6,874
Due to credit institutions	1,053,528	1,818,755	-765,227
Due to customers	18,578,620	17,571,438	1,007,182
Debt securities	2,629,076	2,986,960	-357,884
Remeasurement adjustment on interest rate risk hedged portfolios	-	-	-
Accruals and other liabilities	645,516	574,969	70,547
Provisions	146,862	142,711	4,151
Subordinated debt	819,321	824,905	-5,584
Non-controlling interests	36,402	36,989	-587
Shareholders' equity excluding net income attributable to owners of the company	3,211,845	2,921,779	290,066
Net income attributable to owners of the company	121,764	134,750	-12,986
TOTAL	**27,902,312**	**27,350,786**	**551,526**
INCOME STATEMENT			
NET BANKING INCOME	**641,410**	**653,049**	**-11,639**
of which net interest margin	396,811	386,893	9,918
of which commissions	215,260	255,631	-40,371
General operating expenses	-572,309	-624,236	51,927
GROSS OPERATING INCOME	**69,101**	**28,813**	**40,288**
Net additions to/reversals from provisions for loan losses	-21,935	-1,615	-20,320
OPERATING INCOME	**47,166**	**27,198**	**19,968**
Share of net income (loss) of associates	86,114	36,568	49,546
Gains (losses) on other assets	242	45,270	-45,028
RECURRING INCOME BEFORE TAX	**133,522**	**109,036**	**24,486**
Corporate income tax	-11,752	-16,659	4,907
Post-tax gain/(loss) on discontinued operations	-	47,242	-47,242
TOTAL NET INCOME	**121,770**	**139,619**	**-17,849**
Non-controlling interests	6	4,869	-4,864
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**121,764**	**134,750**	**-12,985**

3.2 ASSET MANAGEMENT

ASSET MANAGEMENT

LA FRANÇAISE

606
Employees

69
€ billion in assets under management

ACTIVITIES

In 2019, La Française continued to grow by relying on the expertise of its core business lines and the strength of its distribution platform in France and abroad. It experienced strong growth in its real estate business, developed its innovation division and continued to deploy its growth drivers internationally. The group also affirmed its multi-boutique model supported by shared support functions.

Highlights and key figures

In 2019, La Française successfully completed a number of projects and strengthened its expertise as an asset manager:

- success of the Moniwan digital distribution platform, which has more than 27,000 unique customers and implements new services such as administrative support;
- pilot project for the provision of office space in co-working and flex office;
- continued international development of the group, strengthening its presence in Germany by completing the integration of Veritas;
- increased recognition among institutional investors, a result of the latest "INDEFI institutional" market barometer, in which the group is improving its positioning (particularly on ESG products and services).

2019 was also marked by the acceleration of La Française's sustainable investment strategy:

- creation of a dedicated team with a cross-functional strategy applying to all the group's areas of expertise;
- appointment of a Global Head of Sustainable Investing in charge of strategy deployment within the group;
- positioning the London-based proprietary research center at the heart of the system;
- affirmation of the group's convictions on the 2050 scenario: "shift perspective to drive change";
- expansion of the "Impact Carbon" range, with the launch of the La Française Carbon Impact 2026 fund, a maturity bond fund with a low-carbon strategy.

Key accolades received in 2019:

- dual accolade at the 26th edition of the Wealth Management Supplier Awards:
  - 1st place in the category of Residential REIT Managers,
  - 2nd place in the category of Office REIT Managers;
- three La Française equity funds obtained the SRI label, supported by the public authorities and awarded by EY. These are the La Française Inflection Point Carbon Impact Global fund, the La Française Inflection Point Carbon Impact Euro fund and the La Française Inflection Point Equities Euro fund.

NEW BUSINESS AND ASSETS UNDER MANAGEMENT

Net inflows reached €5.62 billion in 2019 (excluding ACM assets). Assets under management rose by more than 6% to €69.2 billion at the end of 2019.

Real Estate Business Line

Highlights

- 2019 was a historic year in the real estate sector, with €1.2 billion collected from REITs;
- This performance was also achieved internationally, in particular on behalf of Korean investors, for whom three transactions were carried out;
- The amount of real estate acquisitions amounts to nearly €4 billion;
- The year was marked by the launch of new products: the SCPI Les Grands Palais, the first winery-based REIT on the market, and the SCPI Grand Paris Habitation, a tax REIT backed by the Pinel system;
- Fund raising on behalf of Certivia 2 and LF RE Value Added;
- Implementation of a new proprietary information system (Yaris), which also allows the processing of international transactions.

Quantitative data

- Gross inflows in 2019: €3.7 billion;
- Assets under management: €23.5 billion; of which 26% internationally;
- Outstandings related to Korean investments amounted to €1.2 billion;
- La Française REM confirms its leading position on the French collective real estate market (source: IEIF at September 30, 2019);
- La Française is ranked 27th at the European level in the IPE Real Estate ranking as of June 30, 2019.

3

Financial Assets Business Line

Highlights

- Launch of two new maturity funds: LF Rendement Global 2028, a target maturity fund and LF Rendement Global 2028 Plus, a cross-asset maturity solution that can be exposed to equity markets and is an alternative to "traditional" asset management;
- Launch of the La Française Carbon Impact 2026 fund, a maturity bond fund with a low carbon strategy;
- Development of the High Beta offer and Fixed Income expertise;
- Operational implementation of the positioning on the German market as a domestic player, through the finalization of the integration of the Veritas Group and through the creation of the "La Française AM GmbH" brand;
- Implementation of the quantitative management model Risk@Work on two flagship funds of the La Française AM range under French law;
- Three SRI-labelled equity funds: La Française Inflection Point Actions Euro, La Française Lux Inflection Point Carbon Impact Euro and La Française Lux Inflection Point Carbon Impact Global;
- Listing of 5 La Française funds in the unique ACM list.

Quantitative data

- 2019 inflows: €336 million;
- Assets under management: €2.1 billion;
- International exposure accounts for 39% of outstandings, with a particularly strong presence in Germany (€562 million of inflows).

Innovation Platform

Highlights

- Continued growth momentum of the Moniwan platform:
  - The desire to display a strong positioning: real estate in all its forms, distributed on a digital platform,
  - Commitment to integrate a range of financial asset products and services,
  - Development of new customer services, with the implementation of digital services and support on administrative issues,
  - Commitment: deployment of the Sustainable Investment strategy and reduction of the carbon footprint of investments through the partnership with Reforest'Action (3 trees planted for every subscription of REIT units).

Quantitative data

- Moniwan posted record inflows of €45 million in 2019, taking outstandings to €1.6 billion. The platform is henceforth the 5th distributor for the group's REITs;
- Moniwan now has 27,000 unique customers;
- Visits to the Moniwan platform jumped 23% over one year.

3.3 SIMPLIFIED BALANCE SHEET FOR THIRD-PARTY MANAGEMENT

The third-party management division is housed within the Groupe La Française holding company, which mainly holds La Française AM, La Française Real Estate Managers, La Française AM Finance Services, La Française Investment Solutions, Newton Square, NEXT AM, LFAM Ibéria, Siparex Proximité Innovation and LF Real Estate Partners, as well as foreign interests: in the United Kingdom: La Française Global REIM, Inflection Point by La Française, LF Real Estate Partners Limited and Tages; in the United States: La Française Forum Securities Limited; and in Hong Kong: JKC Capital Management. Added to this is the Veritas Group in Germany. The division's contribution to the consolidated financial statements of the CMNE Group is reflected in the following figures:

In € thousands	12/31/19	12/31/18	Change
ASSETS			
Financial assets at fair value through profit or loss	115,366	669,450	-554,084
Hedging derivative instruments	-	-	-
Financial assets at fair value through equity	21,242	33,943	-12,701
Loans and receivables due from credit institutions	55,241	381,249	-326,008
Loans and receivables due from customers	2,165	4,176	-2,012
Securities at amortized cost	-	-	-
Accruals and other assets	184,073	235,770	-51,697
Investments in associates	25,236	21,627	3,609
Property, equipment and intangible assets	101,903	35,065	66,838
Goodwill	188,994	183,104	5,890
TOTAL	**694,220**	**1,564,384**	**-870,164**
LIABILITIES			
Financial liabilities at fair value through profit or loss	-	472,610	-472,610
Due to credit institutions	132,913	522,092	-389,179
Due to customers	-	-	-
Debt securities	-	-	-
Accruals and other liabilities	274,386	400,124	-125,738
Provisions	2,217	1,644	573
Non-controlling interests	15,919	-36,994	52,913
Shareholders' equity excluding net income attributable to owners of the company	224,270	190,141	34,129
Net income attributable to owners of the company	44,516	14,767	29,749
TOTAL	**694,220**	**1,564,384**	**-870,164**
INCOME STATEMENT			
NET BANKING INCOME	**188,585**	**155,919**	**32,667**
of which net interest margin	-1,641	430	-2,071
of which commissions	-	-8,571	8,571
General operating expenses	-159,192	-146,293	-12,899
Gross operating income/(loss)	**29,393**	**9,626**	**19,768**
Net additions to/reversals from provisions for loan losses	28	-162	190
Operating income	**29,421**	**9,464**	**19,958**
Share of net income (loss) of associates	3,520	1,806	1,714
Gains (losses) on other assets	16,454	1,068	15,386
Changes in the value of goodwill	7	-	7
Pre-tax profit/loss	**49,402**	**12,338**	**37,065**
Corporate income tax	-2,825	-4,885	2,060
Post-tax gain/(loss) on discontinued operations	17,381	20,743	-3,362
Total net income	**63,958**	**28,196**	**35,763**
Non-controlling interests	19,443	13,429	6,014
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**44,515**	**14,767**	**29,749**

In application of IFRS 5, the net profit/(loss) of La Française Investment Solution, Union Générale des Placements, La Française Global REIM Limited, La Française Forum Securities Limited and Tages Capital LLP is presented in the income statement on the line "Post-tax gain/(loss) on discontinued operations".

The division's net banking income rose sharply, by €32.7 million, following record inflows for the 2019 fiscal year. As a result, gross operating income increased by €20 million. The observed decrease in commissions is attributable to the removal of CD Partenaires, which generated a capital gain of approximately €17 million.

3.4 SIMPLIFIED BALANCE SHEET OF SERVICES AND OTHER ACTIVITIES

This division comprises all the activities that do not fit into the Group's strategic business lines: NEPI (on a consolidated basis including the non-operating real estate activities), Euro Information, Financière Nord Europe, Transactimmo and Actéa Environnement.

IFRS CONSOLIDATED FINANCIAL STATEMENTS

In € thousands	12/31/19	12/31/18	Change
ASSETS			
Financial assets at fair value through profit or loss	6,662	10,811	-4,149
Financial assets at fair value through equity	536	533	3
Loans and receivables due from credit institutions	4,581	4,667	-86
Loans and receivables due from customers	-	-	-
Accruals and other assets	1,554	1,456	98
Investments in associates	149,663	135,022	14,641
Property, equipment and intangible assets	17,650	17,720	-70
Goodwill	724	724	-
TOTAL	**181,370**	**170,933**	**10,437**
LIABILITIES			
Financial liabilities at fair value through profit or loss	-	-	-
Hedging derivative instruments	-	-	-
Due to credit institutions	3,746	8,074	-4,328
Due to customers	410	404	6
Accruals and other liabilities	874	395	479
Provisions	25	1,932	-1,907
Subordinated debt	-	-	-
Non-controlling interests	-	-	-
Shareholders' equity excluding net income attributable to owners of the company	159,680	147,558	12,122
Net income attributable to owners of the company	16,635	12,570	4,065
TOTAL	**181,370**	**170,933**	**10,437**
INCOME STATEMENT			
Net banking income	**3,626**	**3,508**	**118**
of which net interest margin	-87	-155	68
of which commissions	-	-	-
General operating expenses	357	-1,637	1,994
Gross operating income/(loss)	**3,983**	**1,871**	**2,112**
Net additions to/reversals from provisions for loan losses	8	-112	120
Operating income	**3,991**	**1,759**	**2,232**
Share of net income (loss) of associates	13,565	11,302	2,263
Gains (losses) on other assets	-	-	-
Pre-tax profit/loss	**17,556**	**13,061**	**4,495**
Corporate income tax	-921	-491	-430
Total net income	**16,635**	**12,570**	**4,065**
Non-controlling interests	-	-	-
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**16,635**	**12,570**	**4,065**

3.5 TRENDS AND OUTLOOK FOR 2020

While the year 2019 ended on a positive note, the COVID-19 crisis shook the world economy in early 2020. The containment measures taken in the various countries to contain the health crisis are having a serious impact on the functioning of the real economy and financial markets. Since the Bank is an essential activity in supporting the economy, CMNE has adapted its organization to ensure that customer service is maintained, while prioritizing the health of its employees.

Review of an extremely rapid evolution of crisis management

In January 2020, the French economy was little affected by the effects of the COVID-19 crisis in China. From mid-February 2020, France declared stage 1 of the epidemic (quarantine measures to limit the spread), then stage 2 on March 6, 2020 and stage 3 on March 14, 2020.

Widespread measures were put in place to mitigate the epidemic wave and relieve the healthcare system:

- on March 13, 2020 the President of the Republic announced the closure of schools, kindergartens and universities from March 16, 2020;
- on March 14, 2020, the Prime Minister announced that only food shops and markets, pharmacies, petrol stations, banks, press offices and tobacco shops could remain open;
- from March 17, 2020, a ban on the movement of any person away from his or her home, with the exception of a restrictive list of grounds;
- March 24, 2020, tightening of containment measures and declaration of a state of public health emergency;
- March 25, 2020, ordinance on emergency measures relating to paid holidays, working hours and rest days;
- March 26, 2020, the Prime Minister announced the continuation of containment until April 15, 2020;
- April 14, 2020, the President of the Republic announced the continuation of containment until May 11, 2020.

Economic Support Measures

Faced with an unprecedented health crisis, fiscal and monetary policy measures on an exceptional scale were put in place, amounting to more than 25% of GDP in the euro area.

The European Central Bank and the national central banks massively support the banking activity, the financing of companies and of financial markets:

- virtually unlimited financing capacity for banks (March 12):
  - immediate operations to provide abundant liquidity on favorable terms for euro area banks (LTRO maturing in June 2020),
  - targeted credit measures (TLTRO3) in a more favorable environment for banks that will maintain their lending to the economy;
- an agile intervention capacity on long-term rates and support for short-term corporate debt:
  - new government and corporate bond purchase envelope of €120 billion in 2020 (in addition to existing monthly flows) (March 12),
  - supplemented on March 18 by a €750 billion Pandemic Emergency Purchase Program (PEPP) for public and private sector securities until the end of 2020 (at the earliest), flexible and extended to Greek securities and commercial paper from the non-financial sector;
- substantial easing of central bank collateral:
  - adoption of temporary measures to relax the collateral pledged by banks to the ECB (lower haircuts, broader scope of usable credit claims);
- flexibilities on bank capital:
  - the regulatory authorities approved the release of €20 billion of Tier 1 bank core capital (a fall of more than 5% in hard core capital) to absorb losses and support lending activity.

An EU package accompanied by regulators' request to banks not to pay dividends at least until October 2020.

At the same time, budgetary support measures were implemented to preserve purchasing power and safeguard companies in France (€110 billion emergency plan) and Belgium (€10 billion):

- immediate support for companies and their employees:
  - short-time working measures,
  - deferral or even cancellation of social security contributions and taxes;
- exceptional interventions by banks and governments for the treasury of companies:
  - €300 billion of new treasury loans for companies, largely guaranteed by the French State, granted until the end of 2020,
  - €50 billion of new short-term loans granted by the Belgian State until the end of September 2020,
  - suspension of maturities on loans.

In addition, an envelope released by the Eurogroup of up to €500 billion to assist the Member States (€200 billion for SME financing).

CMNE crisis management organization

CMNE remained faithful to its commitment as advisor and local partner during these unprecedented times. The bank continued to monitor the operations of its individual customers, while providing support to its corporate, professional and agricultural customers impacted economically by COVID-19. This, while taking care to protect its employees from the risks of contamination.

As soon as the first signs of an epidemic appeared, a crisis unit was set up. It meets several times a week in person or remotely. It is made up of the Management Committee and experts in activities that are essential to the operation of the bank and the commercial units. This crisis unit is in charge of operational aspects and logistical organization in response to the coronavirus crisis. It also determines the internal and external communication elements (methodology, distribution channels) to be used.

In the context of the health crisis, the organization of the network's work has been adapted, while respecting the safety conditions of employees:

- accessibility for physical contact only for essential banking operations with barrier gestures and sneeze-guards;
- adaptation of the opening hours to the number of visitors;
- reinforcement of network support to compensate for absences;
- adaptation of the operation of customer relations centers without impact on the quality of service, etc.

At the level of head office services, the actions implemented concerned the identification of essential activities and the means required to ensure business continuity, the triggering of the Liquidity emergency plan (alert relating to the protection of persons and not of a financial nature), and the extension of teleworking and transferred work to enable compliance with containment instructions.

Implementation of the Economic Contingency Plan

In application of or in addition to government measures to support companies, CMNE proposes the suspension of capital repayments for the next six months without set-up fees, the granting of the State-guaranteed loan (PGE – BPI France), and the deferral of rents for equipment or real estate leasing.

In addition to the arrangements for the modulation of lending for Professionals and Companies, the extension of the deadline is also open to individuals on short-time working and to private financing for professionals. Faced with the influx of applications, and in order to maintain its decision-making responsiveness, the processes for analyzing credit files have been adapted and human resources strengthened.

Outlook for the second half of 2020

The pandemic crisis has a severe impact on the real economy (a crisis of demand and partly of supply that affects employment and the solvency of households and companies). In mid-April 2020, the Minister of the Economy announced a significant decline of 8% in French gross domestic product in 2020 and significantly worsened his budget forecasts, with a public deficit of 9% of GDP.

In this unsettled and uncertain context, establishing precise forecasts for the end of the crisis would be a perilous, if not impossible, exercise. One thing is certain: the Crédit Mutuel Nord Europe Group's 2019 results are solid and allow us to prepare for the post-crisis period. It is certain that this historic crisis will have a significant impact on the Group's 2020 results. The question is, when economic activity will restart, its conditions and its consequences in the short and medium term.

With regard to the governance of the CMNE Group, as the Chairman's term of office expires at the end of the May 12, 2020 federal Shareholders' Meetings, André Halipré has proposed Olivier Oger as his successor. 2020 also marks the last year of the Medium Term Plan 2016-2020 and the preparation of the next one. Reflection on the new plan will have to draw lessons from the crisis in order to shape the future of CMNE, taking into account the support of local economic players, digital changes and new social challenges, all serving our customers and respecting our mutualist values.

3.6 CONSOLIDATED DATA

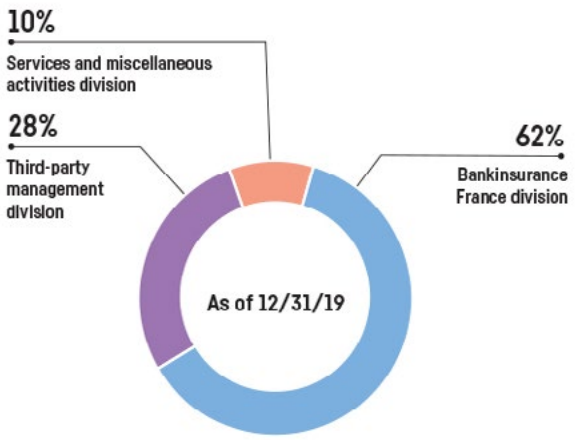
3.6.1 Contribution by division to the consolidated financial statements

In € thousands (after interdivisional eliminations)	Net banking income		Gross operating income/(loss)		Consolidated net income		Total consolidated assets	
	12/18	12/19	12/18	12/19	12/18	12/19	12/18	12/19
Bankinsurance	634,134	619,753	2,709	48,466	107,817	101,129	27,311,725	27,353,839
Third-party asset management	147,207	189,299	8,104	29,393	13,682	44,516	630,291	642,059
Services and other activities	3,508	3,626	1,871	3,983	12,570	16,635	166,287	176,811
TOTAL	**784,850**	**812,678**	**12,684**	**81,842**	**134,069**	**162,280**	**28,108,303**	**28,172,708**

Gross operating income in 2018 was impacted by the completion of the IT migration of Beobank (€49 million) and the decline on the financial markets.

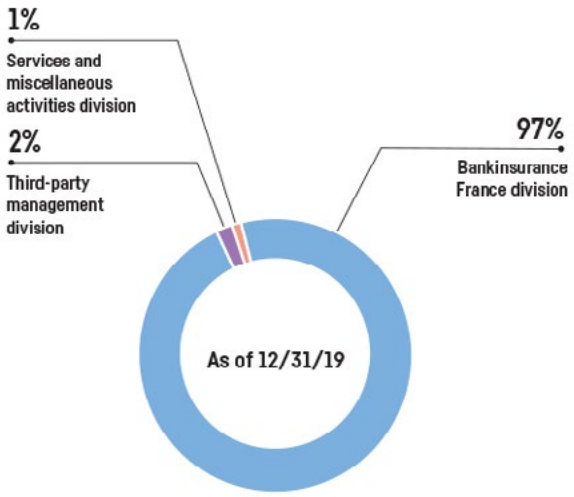
CONSOLIDATED NET INCOME

In € thousands (after interdivisional eliminations)



CONSOLIDATED ASSETS

In € thousands (after interdivisional eliminations)



3.6.2 Reporting by country

Countries – *in € thousands*	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Average number of employees 12/19	Government subsidies
Belgium	243,836	53,508	-2,238	215	-42,266	1,084	2
Germany	9,587	2,047	-190	181	-1,355	34	-
Spain	1,750	1,180	-285	-	-38	3	-
United States	609	608	-	-	-	7	-
France	537,706	293,033	-14,351	2,295	-128,300	3,177	-
Luxembourg	4,762	-1,086	-47	-4	-586	25	-
UK	14,428	4,765	-1,074	-	-798	30	-
Hong Kong	0	-867	-	-	-	-	-
TOTAL	**812,678**	**353,188**	**-18,185**	**2,687**	**-173,343**	**4,360**	**2**

This information is required under Order No. 2014-158 of February 20, 2014, which amended Article L.5-11-45 of the French Monetary and Financial Code and transposed CRD IV.

3.6.3 Rate of return on assets

Pursuant to Decree No. 2014-1315 of November 3, 2014 which introduced Article R. 511-16-1, credit institutions and financing companies must publish in their annual report the return on their assets, calculated by dividing net income by total assets. At December 31, 2019, this rate was 0.64%.

3.6.4 Gross carrying amount of exposures by category and probability of default tranche at 12/31/19

12-month PD tranche IFRS 9	Of which originated impaired assets	12-month expected credit loss	Lifetime expected credit loss	Of which trade receivables pursuant to IFRS 15	Impairment with expected credit loss at year-end but not originated impaired
<0.1	0	4,250,761	412	0	0
0.1-0.25	0	1,977,439	911	0	0
0.26-0.99	5	2,583,970	5,197	0	0
1-2.99	5,524	6,506,758	219,080	0	0
3-9.99	50,868	581,186	269,110	0	0
≥ 10	654,884	142,559	501,583	0	925,927
TOTAL	**711,281**	**16,268,620**	**996,293**	**0**	**925,927**

3

3.6.5 Payment times

PAST-DUE INVOICES RECEIVED BUT NOT SETTLED AT THE YEAR-END DATE

In € thousands	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day or more)
(A) TRANCHE OF ARREARS						
Number of invoices concerned	322					429
Total amount of invoices concerned including tax	17,351	3,485	434	435	117	4,471
Percentage of total amount of purchases including tax for the fiscal year	The percentage of past due invoices received but not settled at the year-end date is lower than 1% of total purchases for the year incl. tax					
(B) INVOICES NOT INCLUDED IN (A) RELATED TO DISPUTED OR UNRECOGNIZED LOANS AND RECEIVABLES						
Number of invoices excluded	0					0
Total amount of invoices excluded including tax	0	0	0	0	0	0
(C) REFERENCE PAYMENT TIMES USED (CONTRACTUAL OR LEGAL PAYMENT TIMES – ARTICLE L. 441-6 OR ARTICLE L. 443-1 OF THE FRENCH COMMERCIAL CODE)						
Payment times used to calculate arrears					Legal times: 30 days from month-end	

PAST-DUE CUSTOMER INVOICES ISSUED BUT NOT SETTLED AT THE YEAR-END DATE

In € thousands	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) TRANCHE OF ARREARS						
Number of invoices concerned	308					685
Total amount of invoices concerned including tax	21,277	7,373	66	1,505	819	9,763
Percentage of revenue including tax for the fiscal year	The percentage of issued invoices past due at the year-end date is lower than 10% of the total amount of invoices for the year.					
(B) INVOICES NOT INCLUDED IN (A) RELATED TO DISPUTED OR UNRECOGNIZED LOANS AND RECEIVABLES						
Number of invoices excluded 0	0					0
Total amount of invoices excluded including tax	0	0	0	0	0	0
(C) REFERENCE PAYMENT TIMES USED (CONTRACTUAL OR LEGAL PAYMENT TIMES – ARTICLE L. 441-6 OR ARTICLE L. 443-1 OF THE FRENCH COMMERCIAL CODE)						
Payment times used to calculate arrears					Legal times: 30 days from month-end	

3.6.6 Finance and accounting control procedures

The Group's accounting and financial information is prepared by the Group Finance Department.

It submits this information to the Group's Auditing Committee and then presents it to the deliberative bodies.

The Group Finance Department centralizes the key activities that guarantee the quality of accounting information within the Group's consolidation scope.

Within this department, the Accounting Department defines the accounting rules and methods (corporate and consolidated), implements the account justification process in conjunction with the other Group departments, as well as the control and analysis procedures necessary for the preparation and processing of accounting information.

The organization of transaction accounting is based on two activities: bookkeeping and Group consolidation.

Bookkeeping (preparation of the annual financial statements and the associated consolidation packages) and the production of regulatory declarations for the Group's entities are carried out directly by the finance departments of the subsidiaries or by the Group's finance department at CMNE.

They are based, for the Group's banks, on an IT platform common to 15 Crédit Mutuel federations, which includes accounting and regulatory functionalities concerning in particular:

- 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).

All balance sheet accounts are evidenced either by means of an automated control or account validation by the department responsible for them.

At each closing date, financial accounting results are compared with forecast management data and data from the previous year, for purposes of validation. The forecast management data are generated by the management accounting department and the budget control department, both of which are independent from the production of financial statements.

The CMNE Group's accounting department is responsible for the preparation and presentation of the Group's consolidated financial statements. It collects and verifies the consistency of all accounting and regulatory information from subsidiaries using a tool common to all Group entities and consolidates it.

The consolidated financial statements are analyzed in relation to the previous year and to quarterly accounting and financial reports. Observed trends are corroborated by the departments concerned, such as the Lending Department and the management control divisions of the various entities.

Each entity's contribution to the consolidated financial statements is also analyzed.

These processes are governed by procedures specific to the Group's finance department and are controlled by the statutory auditors beyond the Group's involvement.

3.7 ALTERNATIVE PERFORMANCE INDICATORS

	Name	Sources	2019	2018
Activity & outstandings				
1	New lending	Group key figures. Total new lending (approvals)	4,946	4,452
2	Customer loans		17,480	16,995
3	Customer deposits Bank deposits	Consolidated financial statements	18,545	17,555
4	Loan-to-deposit ratio Commitment ratio		93.7%	94.4%
5	Savings accounts	Group key figures. Savings – total bank deposits	18,464	17,414
6	Financial and insurance-based savings	Group key figures. Savings – insurance-based and financial – securities (excluding units)	81,567	75,850
7	o/w insurance-based savings	Group key figures. Savings – insurance-based and financial – securities (excluding units)	10,764	10,670
8	Total savings		100,081	93,264
Risks				
9	Ratio of non-performing loans		5.17%	5.29%
10	Provisions for performing loans		-93	-96
11	Overall non-performing loan coverage ratio		64.0%	66.1%
13	Overall cost of risk		-22	-1.9
14	Overall cost of customer risk related to the outstanding loans (expressed in% or in basis points)		0.12%	0.07%
Profitability				
15	Interest margin Net interest revenue Net interest income		395	338
16	Operating expenses General operating expenses Management expenses		-301	-359
17	Cost/income ratio*	Consolidated financial statements	89.91%	98.34%

* *The cost/income ratio of 89.91% (98.34% in 2018) is negatively impacted by the reclassifications related to IFRS 5, the incorporation of migration costs related to EOLE and the I+P surplus related to GACM's exceptional dividend, the latter being eliminated on consolidation.*
Excluding these exceptional expenses, it would be 83.65% (88.98% in 2018).

4

RISK MANAGEMENT

4.1 RISK MANAGEMENT STRUCTURE

Internal control is structured on three levels. The first-level operational control is carried out by the operational staff, or may be integrated into the information systems' automated checks and processes. The second level is organized around central structures dealing with risk management, permanent control and information system security, the compliance and anti-money laundering and terrorist financing function, as well as dedicated units within each of the CMNE Group's businesses. Centrally, actions are coordinated by the Permanent Control and Compliance Committee, the Basel Committee and the Operational Risks Committee, which are chaired by the head of the Group Risk Department.

4.1.1 Risk management

The Group Risk Department's responsibilities include verifying that the level of risks incurred is compatible with the business and risk appetite strategy set by the supervisory body and the limits set by Executive Management. It provides the supervisory body, Executive Management and the Risk Committee with all the information they need to carry out their duties, prepares summary reports to inform the Risk Committee and effective managers about consolidated risk monitoring, and provides the supervisory authorities with all the regulatory reports on risks.

Various measures were implemented in both 2018 and 2019 that gave Executive Management and the supervisory body a clearer understanding of consolidated risk measurement and monitoring. These included the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

In 2019, the main such measures included:

- a strengthening of regulations involving:
  - the application of the new rules for regulatory reporting data quality within the framework of BCBS 239,
  - work on the phased deployment of ANACREDIT and ANATITRE,
  - the implementation of the new default for IRB entities, work on the new guidelines for non-performing loans,
  - ECB audits and targeted missions (consumer credit, BCBS 239, monitoring of recommendations);
- support for subsidiaries that have migrated to the Crédit Mutuel Group's community tool for BEOBANK and our equipment leasing subsidiary Bail Actéa;
- increased synergies and work between group entities but also with the Confédération Nationale du Crédit Mutuel or Crédit Mutuel Alliance Fédérale.

The section on Pillar III includes, on page 70, tables showing the consolidated risk management framework and the consolidated risk monitoring framework.

4.1.1.1 Risk mapping

The drawing up of an overall risk map was coordinated at confederal level. It was adopted by the Basel III working group and approved by the Confederal Risk Committee and the CMNE Group Risk Committee. It is updated at least once a year (approved as part of the ICAAP exercise) to assess the completeness of the identification of risks and the relevance of their rating. This update makes it possible to ensure the quality of the risk management system and the adequacy of the monitoring procedures for each of these risks, which include:

- the indicators established to classify risk levels;
- the limitations associated with those indicators;
- their integration into the Group's stress program.

The level of an actual risk comes from its probability of occurrence (or frequency) and its presumed/measured impact (or potential severity). In total, the intersection of frequency and severity can be broken down into a 5-level scale to classify actual risk as of the date of the map update:

- Level 1: very high risk;
- Level 2: high risk;
- Level 3: average risk;
- Level 4: low risk;
- Level 5: very low risk.

The level of a risk corresponds to a long-term rating and must be relatively stable over time. Changes in the mapping are related mainly to structural changes, regulatory developments and the integration of new risks. As a result, in 2019, the following changes have been made:

- addition of **regulatory risk** (modification of regulatory requirements, via the publication of new texts or a different interpretation of the texts by the competent authority) to the category "strategic risk and business risk";
- clearer breakdown of operational risks with emphasis on:
  - **IT risk**, which is broken down into IT governance risk, operational risk and IT security risk, which covers cyber risk (classified as Level 3 because of its emerging nature),
  - **non-compliance risks**, which makes a distinction between risks associated with personal data protection, ethics and market integrity, which are considered weaker than risks associated with financial security, business practices and customer protection;
- downgrading of **external fraud** by one level (from 2 to 3, due to the removal of cyber risk from this category for inclusion in IT security risk).

4.1.1.2 Crédit Mutuel Nord Europe risk mapping – ICAAP at 12/31/19

Credit risk

- Customer default risk
- Quality of retail risks note migration
- Unit concentration risk
- Sector concentration risk
- Geographical concentration risk
- Concentration related to the Retail guarantee policy
- Settlement/delivery risk
- Foreign currency lending risk
- Securitization risk

Operational risk

- External fraud
- Internal fraud
- HR practices
  Damage to physical assets
  Process execution
  System malfunction
- Business practices and customer protection
- Reputational risk

Including non-compliance risks

- Financial security
- Business practices and customer protection
- Ethics and compliance
- Protection of personal data
- Market integrity

Including IT risks

- Governance
- Operation
- Security

Market risk

- Trading book position risk
- Credit derivative risk (CVA)
- Spread risk on banking book items

Interest rate risk

- Interest rate shock on the markets
- Risk of regulated rates being reset
- Curve risk
- Basis risk
- Risk related to optional clauses

Liquidity risk

- Risk of change in external rating
- Balance sheet ratios
- Access to refinancing
- Refinancing cost
- Short-term liquidity
- MLT transformation

Investment risk

- Insurance
- Other equity investments
- Equities & private equity (banking portfolio)
- Step-in risk

Strategic risk and business risk

Profitability

- Business risk
- Diversification of revenue sources
- Controlling the cost of risk
- Regulatory risk

Overall solvency

- Quantity of capital
- Equity structure
- Location

- Very high risk
- High risk
- Medium risk
- Low risk
- Very low risk

4.1.1.3 Risk appetite

This subject is dealt with on page 68 in the Pillar III section.

4.1.2 Compliance control

The Group Compliance Department reports directly to Executive Management and organizes the system's management in accordance with its three responsibilities:

- ensuring that procedures, products and services are developed in accordance with the legislation and regulations. The department is therefore required, in conjunction with the legal department, to monitor and circulate information on regulatory developments, to implement and circulate compliance standards and procedures and to ensure that the compliance or specific business line applications comply with the regulations;
- the company's image: this requires it to draw up and update the mapping of compliance risk and, in connection with this, to assess and control reputational risk, to train, inform, and provide advice to staff on compliance matters, and to detect and correct any shortcomings;
- lastly, protecting customers' interests, by approving and controlling new products, services or activities, and by drawing up and monitoring a conflict of interest mapping, and ensuring all staff comply with the code of ethics, the upkeep of which is the department's responsibility, by controlling the handling of customers' complaints.

The Group Compliance Department supervises the actions of the CMNE Group entities on an ongoing basis and verifies the quality of the controls carried out by each CMNE Group company.

4.1.2.1 For the Bankinsurance France division more specifically

Employee training is conducted in various forms:

- all employees to which the compliance awareness modules apply are enrolled in an e-learning training module. Nearly 95% of the employees concerned have already completed the module;
- young employees, on completion of their initial training program, undertake a session covering compliance culture and ethical rules. This session also covers the whistleblowing policy and related procedures;
- employees taking up a position subject to the General Regulation issued by the French Financial Markets Authority (Autorité des Marchés Financiers – AMF): the level of their knowledge is verified and then they follow a training program leading to a certified qualification. More generally, all employees affected by implementation of the MiFID II regulation have received training, the aim of which is to give them an understanding of the main regulatory developments in the area and of the new tools that will be rolled out, notably the new questionnaire to be used to obtain from customers information about them that is useful and necessary for determining their investor profile;
- the legal and compliance departments jointly monitor legal information and forward relevant information to the business lines for inclusion in internal procedures. Information gained as a result of this monitoring is also used to keep employees informed of developments in this area. Such information is circulated to the entities concerned but it also published regularly on the company's intranet and therefore made available to all employees.

4.1.2.2 Reputational risk assessment and control

Reputational risk is analyzed and monitored using various mechanisms:

- the procedure for approving and controlling new products, services or activities;
- monitoring regulatory developments: by controls making it possible to verify that developments and new regulations have been taken into account in the company's procedures;
- centralizing shortcomings, including the monitoring of customer complaints;
- updating the main compliance risk mapping;
- the conflict of interest management policy, the risk mapping and the prevention mechanisms applied;
- monitoring transactions for the purposes of the procedures relating to personal transactions carried out by sensitive employees, detecting suspected market abuse transactions and managing watch lists or blacklists.

4.1.2.3 Other compliance risks (banking and financial ethics)

Procedures have been drawn up governing employees' personal transactions in financial instruments and the detection of suspected market abuse transactions. These procedures are subject to permanent controls.

In addition, the body of procedures and code of ethics have been expanded to include procedures designed to prevent and combat corruption ("Sapin 2" law).

4.1.2.4 Procedures enabling breaches, infringements and shortcomings to be reported

The "whistleblowing policy" is included in the code of ethics published on the company's intranet. This procedure specifies the instructions given to an employee faced with a shortcoming or a doubt and indicates to whom he or she can refer the matter.

4.1.2.5 Centralizing and implementing remedial and monitoring measures

The procedure for "centralizing shortcomings" enables shortcomings identified within the company to be reported. Throughout the Group's entities, shortcomings are reported by means of the operational risk reporting channels. The Group Operational Risks Committee to which all entities report is responsible for reviewing claims and incidents, and for controlling and implementing remediation plans. The Operational Risks Committee's analyzes and findings are subsequently reported to the Federal Risks Committee and then to the CMNE Federal Board of Directors.

4.1.3 Money laundering risk

4.1.3.1 Risk classification (AML-CTF)

A risk classification is drawn up for the CMNE Group's various activities and is updated to include changes in the regulations. The CMNE Group has lists of sensitive countries, persons subject to international sanctions, and asset freezes, which are regularly updated. It also has embargo questionnaires and specific customer codes.

In the case of the Bankinsurance France, Bankinsurance Belgium and third-party management divisions, the risk approach excludes light risk (Article R. 561-15-1), except in the case of the leasing activities. The first level of risk is therefore normal risk (Articles L. 561-5 and L. 561-6).

Normal risk requires the customer relationship manager to apply the due diligence obligations relating to the customer's identity and address and the nature and purpose of the business relationship. Risk is deemed to be high if the customer is in one of the categories specified as high risk by the legislation and regulations (Politically Exposed Persons – PEPs, a product or transaction of significant value, a transaction that is complex or does not appear to have any economic justification or lawful purpose, a customer or customer's legal representative who is not physically present for identification purposes, a product or transaction favoring anonymity of the customer, or a transaction or customer with a link to a red list country) or an internal category (AML-CTF risk) or if the customer's name is on the terrorist list. In such cases, the new business relationship or transaction must be approved by management, or even by Executive Management in the case of PEPs or third parties resident in red list countries, without prejudice to the other due diligence procedures that will apply, which will depend on the circumstances of the case concerned. Each CMNE Group entity has its own risk mappings.

4.1.3.2 Improving the system at CMNE Group level

The Group continued to implement continuous improvement measures concerning the AML-CTF system. These resulted in:

- a comprehensive warning system within the third-party management division;
- ongoing work on profiling, warnings and a decision-making tool concerning entering into new business relationships within CFCMNE (projects in progress);
- the work currently in progress concerning the identification in the information systems of beneficial owners in the leasing subsidiaries.

4.1.4 Fraud and special matters structure

The Fraud and Special Matters structure, which is comprised of three employees who used to report directly to the General Inspector, was transferred on April 1, 2019 to the Group Risk Department to adopt a harmonized organizational structure in line with the expectations of the supervisory authorities.

Within the Group Risk Department, this function contributes to the systems for combating external fraud. As part of its prevention mission, it conducts training and information sessions for both individuals and professionals. It also deals with cases of internal malfunctions and special matters. Finally, it participates in the process of identifying and managing cases of rude behavior by customers against network employees.

The fraud and special matters function analyzed nearly 944 cases of external fraud and 287 cases of rude behavior by the French network's customers.

4.1.5 Permanent control – Information system security

Reporting to the Group Risk Department, the Group Permanent Control Department is responsible for coordinating the control plans and for implementing and developing methods and tools.

All entities' control plans, including second-level permanent controls, are regularly adapted in light of their activities and the risks to which they are exposed. In the case of controls performed centrally, some have been enhanced. The controls concerned relate mainly to loans, financial activities, payment flows and means, and the monitoring of subsidiaries.

In addition, the systems implemented within the subsidiaries (Beobank and Groupe La Française) have also been adapted and improved.

As regards information system security, several mechanisms help to improve the Group's risk management and regulatory compliance procedures. These mechanisms relate to the security of information systems, in particular the risk treatment plan, which is regularly adapted based on the risk assessment and includes the operation of emergency and business continuity plans for IT and business line activities (updating, testing and improvement), the reinforcement of security measures, and incident monitoring and analysis.

With regard to the protection of personal data, the Group has implemented policies and organizational and technical measures that help meet regulatory requirements and ensure the confidence of customers and all third parties concerned. These mechanisms are regularly evaluated internally and with the help of consulting firms, thus contributing to their continuous improvement.

Data protection officers are appointed in the Group's divisions, whose activities are coordinated at the Caisse Fédérale level.

4.1.6 Periodic control

Group Inspection & Audit, in accordance with the Group Periodic Control Charter, ensures the consistency, completeness and effectiveness of the internal control systems and the risk measurement, monitoring and management processes. Its responsibilities in this area cover all the CMNE Group's entities and business lines.

Its responsibilities relate mainly to:

- periodic control of the Bankinsurance France sales network;
- auditing the central departments and business lines of CFCMNE and the subsidiaries;
- certifying the local banks' individual financial statements;

In 2019, the Group Audit Inspection unit conducted:

- 26 audit assignments (24 for local banks, 2 conducted at Business Advice Spaces);
- 6 audit assignments on structures or processes in collaboration with the Bankinsurance France network;
- certifying the 2018 individual financial statements of 149 local banks;
- 25 business line audit assignments.

As regards Beobank, its internal audit department, whose manager reports to CMNE's General Inspector, carried out 81 inspections of branches and delegated agents, and six business line audit assignments.

4.2 RISKS

4.2.1 Credit risk

Loan origination is governed by procedures and standards specific to each of the entities in the CMNE Group's Banking division. These procedures and standards are themselves tailored to the CMNE Group's risk appetite and risk policy.

The fundamental principle on which the loan origination procedures are based is Beobank's score for consumer loans or the internal rating (Crédit Mutuel Group's Internal Rating System) for the French Banking Network and Corporate divisions. The tiered pricing system for loans and the system for delegating authority are tailored based on this internal rating.

In the case of the French Banking Network, an application for a loan (a consumer, home or business loan) must receive a favorable technical opinion (concerning compliance with the rules and conditions laid down by the Federation and the perception of the risks associated with the application) from the employee concerned within the limits granted by the Chief Executive Officer.

The delegation levels for technical opinions given (based on the employee's level of expertise) are amounts set for customers based on the internal pivot rating. Their weighting is increased or decreased depending on the rating. The classification of a loan as non-performing removes it totally from the sales department's sphere of authority.

Applications whose individual amount exceeds €1.25 million or which would result in a counterparty's total outstanding loans exceeding that amount must be the subject of a decision by the effective managers.

In Belgium, within Beobank, the risk is controlled by an authorization limit at origination: decisions to grant loans that would increase the overall customer risk to in excess of €750,000 are submitted to the CMNE Group Head of Credit Risk before a decision by the CEO, acting as a representative of the Management Committee. When a single application or the total of the counterparty's outstanding loans exceeds €3 million, the decision of a CMNE Group effective manager is sought.

In the case of the CMNE Group entities, limits and exclusions have been set, whether on an entity or consolidated basis, with the aim of providing a framework for the lending activity and risk monitoring. These may relate to:

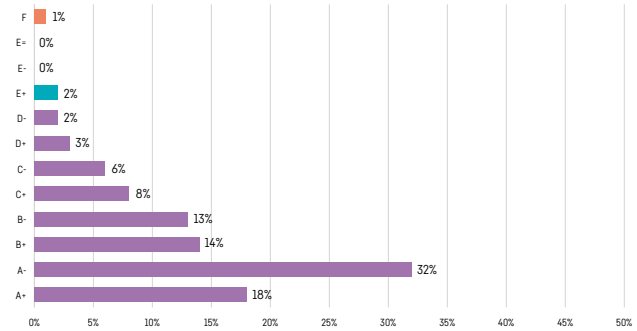
- the amount (limits on individual loans: in the Corporate category, the loan limit is €70 million, which reduces gradually in accordance with the quality of the counterparty);
- the territory;
- business sector;
- the type of transaction.

The CMNE Group has implemented, for all entities in the "Banking division", a structure specific to professional and corporate customers, the aim of which is to meet these customers' needs and to eradicate the risks inherent in these activities. This structure is organized, in the case of France, around Business Advice Spaces, Business Centers for SMEs and intermediate-sized enterprises, and, in the case of Belgium, around Professional Centers.

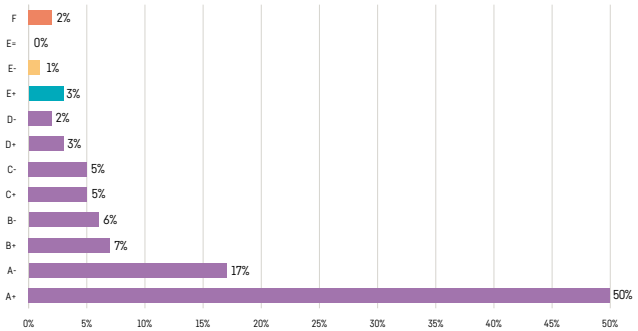
For the French banking scope (French network and Corporate network), which accounts for approximately 68% of the CMNE Group's outstanding customer loans, the breakdown of outstanding loans by rating category and by rating algorithm is as follows:

- The best customers, represented by ratings equal to or above C-, total 90% of outstandings (between 85% and 92%, depending on the loan agreement concerned);
- 8% of outstandings have a rating of between D+ and E+: these ratings represent performing loans with a fairly high risk profile (between 5% and 11%, depending on the loan agreement concerned);
- Outstanding loans that are classified as non-performing (E-), irrecoverable non-performing (E=) and in litigation (F) account for 2% of total outstanding loans.

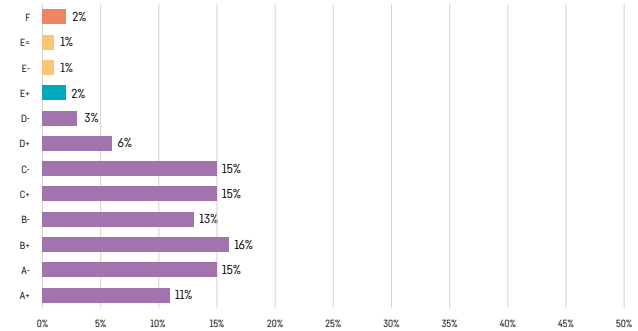
INDIVIDUALS
€8,851 million



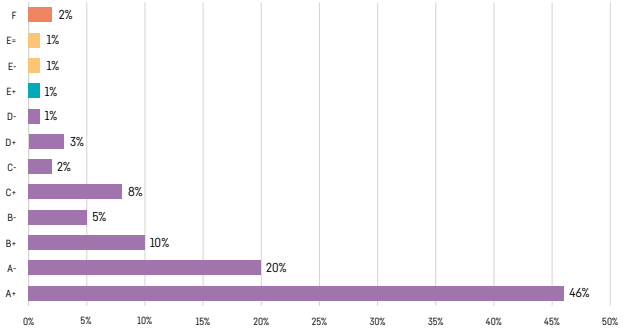
SOLE TRADERS
€647 million



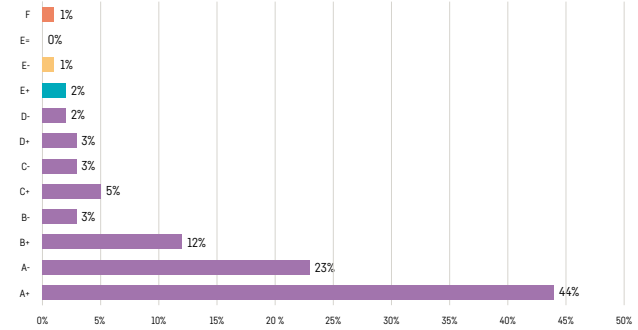
CORPORATE AND OTHER LEGAL ENTITIES
€2,676 million



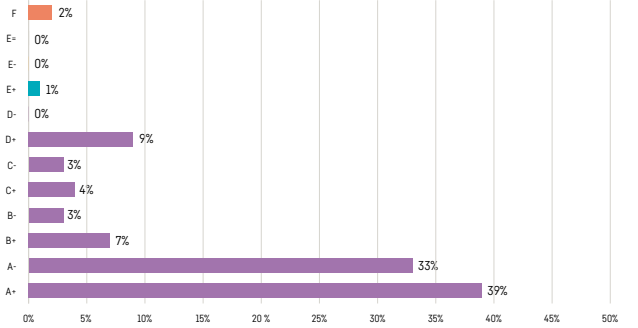
REAL ESTATE TRUSTS AND OTHERS
€970 million



FARMERS
€929 million

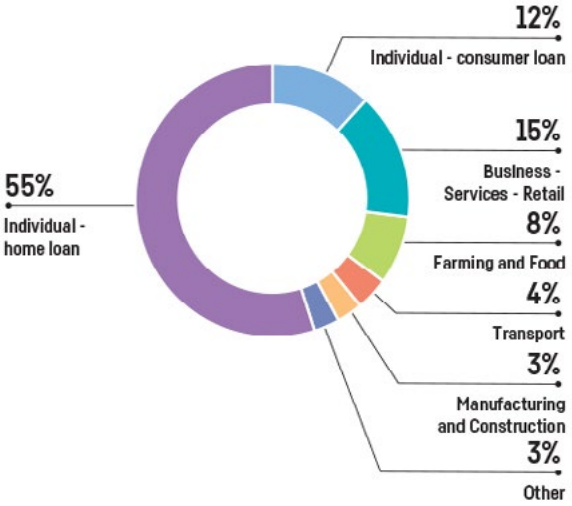


ASSOCIATIONS AND NON-PROFIT ORGANIZATIONS
€43 million



The breakdown of outstandings remained relatively stable.

OVERALL BREAKDOWN OF CREDIT RISK BY BUSINESS SECTOR



RISK QUALITY

In € millions	12/31/19	12/31/18
Gross receivables subject to individual impairment	926	909
12-month expected losses (S1)	-50	-47
Expected losses to termination (S2)	-42	-49
Expected losses on impaired assets (or individual impairment) (S3)	-500	-506
Total coverage ratio	**63.9%**	**66.2%**
Coverage ratio of impaired assets	**54.0%**	**55.7%**

EXPOSURE

In € millions	12/31/19	12/31/18	Change from 12/31/18	
LOANS AND RECEIVABLES				
Credit institutions	2,716	3,227	-511	-16%
Customers	17,966	17,181	785	5%
Gross exposure	**20,682**	**20,409**	**273**	**1%**
Impairment provisions	**-593**	**-602**	**9**	**-1%**
Credit institutions	0	0	0	
Customers	-593	-602	9	-1%
NET EXPOSURE	**20,089**	**19,807**	**282**	**1%**
FINANCING COMMITMENTS GIVEN				
Credit institutions	32	34	-2	-6%
Customers	2,739	2,584	155	6%
GUARANTEES GIVEN				
Credit institutions	17	79	-62	-78%
Customers	209	129	80	62%
Provision for risks on commitments given	**-3**	**-2**	**-1**	**50%**
NET EXPOSURE	**2,994**	**2,824**	**170**	**6%**
DEBT SECURITIES[1]				
Government securities	758	873	-115	-13%
Bonds and other fixed-income securities	3,042	3,191	-149	-5%
Derivatives	167	160	7	4%
Repurchase agreements and securities lending	206	365	-159	-44%
Gross exposure	**4,173**	**4,589**	**-416**	**-9%**
Provisions for impairment of securities	-1	-1	0	0%
NET EXPOSURE	**4,172**	**4,588**	**-416**	**-9%**

(1) Excluding securities classified as "loans and receivables".

PAYMENT ARREARS AT 12/31/19

In € millions	Payment arrears (S1+S2) at 30 days	30 to 90 days	more than 3 months	Carrying amount of impaired assets Total	Total assets subject to payment arrears and impaired assets
Debt instruments	-	-	-	-	-
* Governments	-	-	-	-	-
* Credit institutions	-	-	-	-	-
* Other financial sector	-	-	-	-	-
* Non-financial companies	-	-	-	-	-
Loans and advances	212	73	28	310	623
* Governments	-	-	-	-	-
* Credit institutions	-	-	-	-	-
* Other financial sector	-	-	-	-	-
* Non-financial companies	44	22	26	85	177
* Individuals	168	51	2	225	446
TOTAL	**212**	**73**	**28**	**310**	**623**

Payment arrears include the entire principal amount outstanding.

4.2.2 Counterparty risk

4.2.2.1 A Group vision

On the recommendation of the Risk Department, counterparty limits are agreed by the CMNE Group Finance Committee. The limits are based on the internal rating given to the various categories of major counterparties defined by Confédération Nationale du Crédit Mutuel and approved in accordance with the Basel agreements.

The centralization of the CMNE Group's risks, initiated by the Group Risk Department, in turn led to the centralized management of counterparty risk throughout the Crédit Mutuel Group. This dynamic system is supervised and monitored on an ongoing basis, with information and warnings being shared.

Internal ratings are determined and monitored as part of a national process. They are reviewed at least once a month and compared to the external ratings set by the major rating agencies. This enables those responsible for risk monitoring and the members of the Finance Committee to receive warnings of significant changes in ratings.

The ceiling for individual risks is set by reference to the equity of each entity, i.e. Caisse Fédérale and Beobank but also by reference to the CMNE Group's consolidated equity. In this way, while remaining within the national reference framework for limits imposed by Confédération Nationale du Crédit Mutuel, each division has rules that are consistent with the changes in its requirements, outstandings and equity. The above measures therefore provide information concerning each entity and an overview of the CMNE Group as a whole.

4.2.2.2 Overall and consolidated monitoring of limits by category

Sovereign risk

Except for France and Belgium, which have specific frameworks, sovereign risk is weighted on the basis of the external ratings set by the three major rating agencies. Sovereign risk affects only a limited number of high-quality sovereign counterparties, most of which are based in Europe and North America.

The list of authorized countries is presented to and approved by the Finance Committee. It is revised in accordance with the economic and political environment.

Semi-public and public counterparties considered to be sovereign are authorized and have a specific limit validated by the Finance Committee. They are consolidated with the benchmark sovereign counterparty, where relevant.

Banking and financial counterparty risk

For each counterparty, a maximum authorization is calculated based on the Crédit Mutuel Group's National Benchmark, the status defined, the internal rating used to establish a decreasing scale of limits, and on the equity and refinancing caps. Studies produced by the national unit entitled "Counterparty Financial Information" (CFI) are used to adopt a position and to provide clear information before entering into a new business relationship.

The limits are calculated and restricted by the most stringent of the following three caps:

- CMNE's equity cap, calculated taking into account the regulations on major risks that set the maximum outstandings for a counterparty at 25% of Group consolidated equity, limited to €510 million for a counterparty rated A+, to which a decreasing scale is then applied, based on the internal rating;
- the counterparty's refinancing cap, as included in the most recent IFC National Benchmark;
- the equity cap specific to the counterparty, as included in the most recent IFC National Benchmark.

Corporate risk

The maximum exposure as a percentage of equity of a single counterparty for both risks taken by the Caisse Fédérale in connection with its corporate activities and risks taken in connection with market activities ranges from 2.1% of consolidated equity for a counterparty with an A+ rating to 0.3% of equity for a counterparty with an E+ rating.

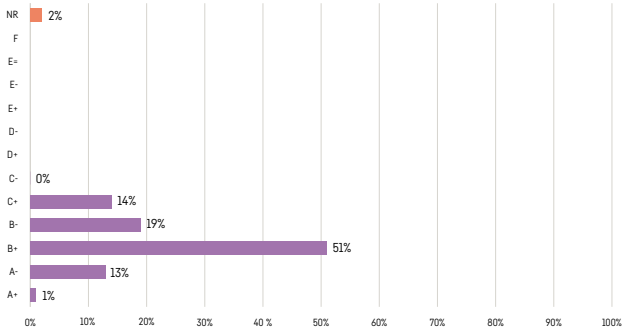
Corporate exposures are also based on the Crédit Mutuel Group's Large Accounts internal ratings benchmark. Limits at maturity are in place that are proportionate and tailored to the internal ratings. Specific budgets can also be put in place to meet specific investment requirements. No new business relationship may be entered into without the approval of an internal rating.

These limits apply in the case of risks rated A+ (Crédit Mutuel internal rating) and are then scaled down in terms of amount and maturity based on the counterparties' ratings. As regards corporate risk in respect of capital market activities, the Federal Board of Directors has approved the rules, taking into account the issuers' ratings, volume of bond debt issued and business sectors and the breakdown by entity.

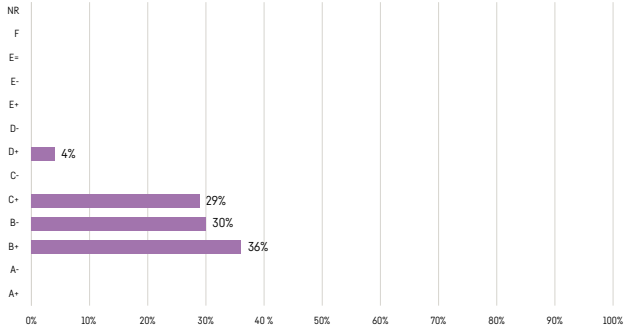
For most corporate counterparties, this results in the individual risk being restricted to €50 million for the best rated.

The concentration of outstandings is monitored with a view to ensuring that the Group's risk dispersion is managed effectively

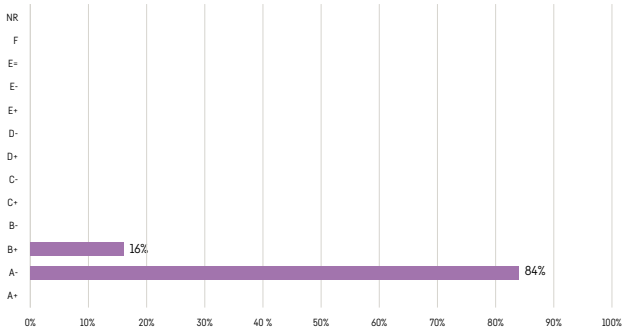
FINANCIAL INSTITUTIONS (68%)
€2,084 million



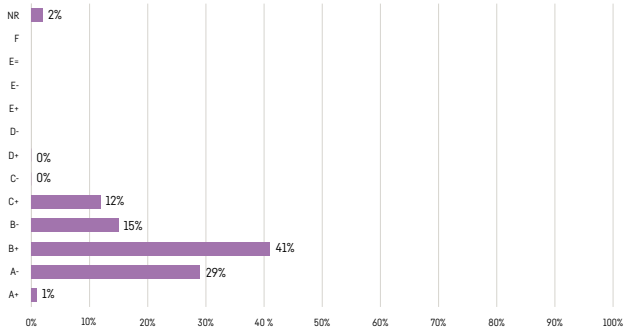
CORPORATES (6%)
€247 million



SOVEREIGNS (24%)
€731 million



TOTAL OUTSTANDINGS
€3,062 million



The outstandings in the above charts are shown at their nominal value in the case of debt securities and at their replacement cost in the case of derivatives. Neither Jarna nor the UCIs are included.

The €500 million in maturities for the FCT CMNE HOME LOANS explains the reduction in outstanding loans to financial institutions compared to December 31, 2018.

4.2.2.3 A centralized approach

All transactions carried out by the Financial Activities Department for the purposes of its proprietary management, or entrusted to Groupe La Française for the purposes of dedicated management, are carried out within the framework defined by the Finance Committee and are the subject of monthly reports to said Committee, which includes five of the seven members of the Management Committee.

On a quarterly basis, the financial risk indicators analysis performed by the Caisse Fédérale is presented to the Board of Directors. During 2019, the allocation of equity to capital market activities was increased to €400 million for the banking book and maintained at €50 million for the trading book.

Proprietary trading activity is divided into two parts:

- a portfolio comprised of liquid securities (HQLA or ECB-eligible securities);
- medium or long-term investments in non-SPPI securities, which include our structured securities, UCITS and mutual funds or our short-term surplus liquidity investments or investments not eligible for the liquidity reserve.

These medium- and long-term investments are held by both Caisse Fédérale and Beobank. They are governed by a strict framework.

4.2.2.4 Stress test management

Based on assumptions common to the entire Crédit Mutuel Group, CMNE measures the stress test impact each quarter. Measurements were therefore made of five stress events from the past (1994 rate hike, 1997 Asia crisis, 1987 Black Monday, September 11, 2001, and the sub-prime crisis) and five hypothetical stress tests relating to three types of risk: Equity, Credit and Interest Rate, i.e., respectively, a 22% fall in European equities, widening of spreads depending on the assets concerned, and an upward and downward change in euro rates of 50 bps.

To supplement these models, a stress test relating to the fall in the real estate market was instituted based on an historic Value at Risk (VaR) of the office, residential and commercial real estate categories.

At the end of 2019, the most punitive stress tests in terms of the income statement were:

- in terms of historical stress tests, the scenarios concerning September 11 and Black Monday, with impacts of €16.5 million and €23 million respectively;
- in terms of hypothetical stress tests, the scenario concerning the fall in European equities, with an impact of €20 million.

As regards the potential impact on shareholders' equity, that varies between +€2 million and -€13 million, depending on the scenario concerned. The most punitive were:

- in terms of historical stress tests, September 11 and Black Monday;
- in terms of hypothetical stress tests, the increase in credit spreads and the real estate stress test.

4

BREAKDOWN OF PORTFOLIOS AT 12/31/19

In € millions	Financial assets at fair value through profit or loss	Financial assets at fair value through equity	Securities at amortized cost	TOTAL
DEBT SECURITIES EXCLUDING GOVERNMENT SECURITIES				
1) FRANCE				
France – investment	186	120	151	457
France – liquidity portfolio		1,454		1,454
2) BELGIUM				
Belgium – investment	3	30		33
Belgium – Liquidity		504		504
3) ALL REGIONS				
IFRS 10 all divisions	42			42
Other Bonds	3			3
UCI – Banking book equities	549			549
UCI – Trading book equities	0			0
TOTAL DEBT SECURITIES EXCLUDING GOVERNMENT SECURITIES	**783**	**2,108**	**151**	**3,042**
GOVERNMENT SECURITIES				
France – government securities		202		202
Belgium – government securities	16	230		246
Other Divisions – Government securities (JARNA for €298 million)	310			310
TOTAL GOVERNMENT SECURITIES	**326**	**432**		**758**
TOTAL DEBT SECURITIES	**1,109**	**2,540**	**151**	**3,800**

4.2.2.5 Liquidity and operating portfolio

The more stringent requirements concerning short- and medium-term liquidity have resulted in stricter control of the liquidity portfolio, including the implementation of weekly warning indicators, which are consistent with the quarterly risk appetite and risk management indicators.

Strict supervision of investments is therefore necessary to limit any risk of crossing thresholds or limits.

Therefore, these portfolios concentrate all securities classified as "liquid" within the liquidity portfolio. Similarly, all transactions related to the operating activity and short-term cash investments are concentrated within the operating portfolio.

This portfolio of liquid non-government securities totaled €1,454 million for Caisse Fédérale du CMNE and €504 million for Beobank.

4.2.2.6 Arbitrage portfolio

Arbitrage transactions, which are carried out over horizons of between one month and three years, consist of buying negotiable debt securities or bonds at variable rates or at fixed rates converted into variable rates through interest rate swaps and financed by the regular issue of Negotiable European Commercial Paper (NEU CP) with terms at the outset of between one and six months.

The maximum authorized outstanding amount of this arbitrage portfolio is set by the Financial Committee at €500 million. Nominal assets fell steadily to €251 million at December 31, 2019.

Its consumption of equity in respect of credit risk was €11.2 million.

The term of the securities purchased and the fact that they are all at indexed rates provides very strong insurance against market risks, and the Net Present Value (NPV) sensitivity of this portfolio remains less than 1%. The interest rate risk is almost zero and the liquidity risk is monitored very closely as part of the overall liquidity and gap risk management procedure.

Within this portfolio, CMNE holds a group of structured securities with a par value of €130 million, indexed to equity and interest rate indexes. This portfolio is subject to strict investment limits, meaning that the Group cannot have significant exposure to the markets.

At December 31, 2019, the autocall pocket indexed to equity indices stood at €40 million, with final maturities spread between 2024 and 2028, thus making it possible to limit the impacts of a temporary drop in the financial markets.

4.2.2.7 Investment portfolio

This portfolio comprises all investments in funds and the refinancing associated with these short- and medium-term securities.

Investments in bonds and NEU CP totaled €246 million in the case of the France division and €33 million in the case of the Belgium division.

Dedicated UCITS

The Caisse Fédérale du CMNE liquidated its dedicated fund during the first quarter of 2019. It had been in liquidation since 2018.

Equities

This exposure consisted solely of various equity components of this portfolio's UCITS securities representing the proprietary investments held by Caisse Fédérale and Beobank (banking book). These exposures are present mainly within private equity funds, diversified funds and hedge funds.

Other investments

CMNE's other proprietary investments, which are in collective vehicles (fixed income and alternative and diversified management products, FCP investment funds or interests in REITs and real estate mutual funds), represented a total of €360 million at market value for the Caisse Fédérale and €21 million for Beobank.

The impact of the application of IFRS 10 was €42 million (see financial report, page 174: table of entities consolidated using the simplified method in the context of the application of IFRS 10).

New investment funds and strategies

The CMNE Group has supported the launch of new funds and strategies within Groupe La Française. These investments, which are governed by a specific policy and monitored with regard to risk appetite, are divided between Caisse Fédérale and Groupe La Française, for up to €100 million respectively.

Liquidity risk

Liquidity risk is dealt with on page 117 in the section covering Pillar III.

Interest rate risk

Interest rate risk is dealt with on page 114 in the section covering Pillar III.

Operational risk

Operational risk is dealt with on page 115 in the section covering Pillar III.

4.2.3 Market risk

Market risk is the risk of loss or a negative change in the income statement or equity resulting from an adverse change in market parameters such as interest rates, equity markets, exchange rates or different credit spreads. This concerns all transactions in the trading book and banking book.

4.2.3.1 Structure

Centralization of market transactions

Management of the CMNE Group's refinancing and investments is centralized within the Caisse Fédérale for the purposes of transactions carried out by both the French entities and BEOBANK. The back-office functions for these transactions are also centralized in Lille.

Basic principles

Sound, prudent management: every activity is the subject of a specific, detailed framework enabling the risks inherent to the activity concerned to be controlled. Decision-makers, operators and analysts work jointly in compliance with the standards and obligations imposed by external authorities or internal bodies.

Compliance with the law on separation and regulation of banking activities was implemented by means of the monitoring of the indicators of Law no. 2013-672 of July 26, 2013 on the separation and regulation of banking activities (SRAB).

Nature of the transactions

Two types of transactions are implemented by the Group Finance Department:

- on the one hand, the CMNE Group's medium- and long-term refinancing transactions and, more generally, asset-liability management transactions designed to manage the net interest margin based on financial information concerning interest rate risk and liquidity risk analyzed by the Finance Committees of each CMNE Group entity;
- on the other hand, proprietary trading carried out by Caisse Fédérale and Beobank.

These transactions fall into two groups:

- arbitrage transactions structured to generate only a marginal interest rate risk while generating profits by taking counterparty risk and liquidity risk. This type of transaction comes under the direct responsibility of Group Treasury, for which it receives an allocation of equity, an overall limit on outstandings and an indication as to the type of transactions authorized. Only Caisse Fédérale is involved in this type of transaction;
- investments in dedicated UCITS, managed by La Française and its affiliates, in real estate products such as non-trading real estate companies (SCPI) and real estate funds (OPCI), equities, bonds and negotiable debt securities, whether structured or plain vanilla, are always made in accordance with the market trading policy and are subject to approval by the Finance Committees of the entities concerned. All transactions are therefore planned or approved in a collegial manner.

Structural management transactions on the balance sheet, as well as proprietary trading, come under the tight control of Caisse Fédérale du CMNE's Finance Committee and are the subject of individual reports that are then merged to measure liquidity risk.

4.2.3.2 Types of risks

Credit risk

A credit risk is the amount of loss a credit institution may incur in the context of transactions that it conducts with a counterparty, if the counterparty defaults.

The credit quality of counterparties is assessed mainly by means of the Crédit Mutuel Group's internal rating and the external ratings attributed by the major rating agencies.

Any counterparty that fails to comply with the rules set must be subject to approval by the appropriate delegated agents or by the members of the entity's Finance Committee.

Interest rate risk

Interest rate risk relates to the impact of changes in interest rates on the net income and/or the values of financial assets and liabilities.

Interest rate risk is managed by a specific structure organized around ALM, the quarterly ALM Management Committee and a monthly progress report presented to the Finance Committee.

Equity risk

Equity risk corresponds to the impact of changes in the financial markets on the value of financial assets and, in particular, listed financial assets.

Since CMNE is a prudent, long-term investor, it does not trade on the equity markets or hold trading positions in equities. Equity risk is not therefore material to CMNE. Only certain assets correlated to stock market indexes expose CMNE to a possible risk in respect of future changes in stock market prices.

Currency risk

Currency risk results from changes in exchange rates of currencies relative to other currencies and their impact on net income and/or the valuation of financial assets and liabilities. Currency risk relates mainly to foreign currency accounts managed to deal with customer transactions.

Since there is only a small list of currencies in which the Group trades, daily monitoring of the positions and clearly established limits mean that the impact of changes in the prices of foreign currencies against the euro is low.

Liquidity risk

Liquidity risk is an entity's inability to meet its current liabilities or to convert certain assets that have become illiquid into liquid assets.

Operational risk

Operational risk is defined as the risk of loss or gain resulting from the inadequacy or failure of an entity's processes, personnel or internal systems, or from external events. It includes, in particular:

- risks associated with events whose occurrence is unlikely but whose impact would be significant, risks of internal and external fraud and model risks;
- legal risk: the risk of litigation with a counterparty resulting from any inaccuracy, omission or deficiency likely to be attributable to the entity in respect of its operations.

It excludes strategic risks and reputational risks.

An operational risk function within the Risk Department is responsible for identifying and monitoring all operational risks at CMNE Group level.

Settlement/delivery risk

Settlement/delivery risk occurs when two assets are simultaneously exchanged. It occurs when it is not possible for the settlement of a transaction (e.g. the transfer of ownership of a security, payments for said transfer, the simultaneous exchange of securities, etc.) to take place within the scheduled time frame.

A monthly monitoring report is presented to the Finance Committee detailing the unresolved matters and problems concerning settlement and delivery that may require operational risk reports to be submitted. A consolidated quarterly report details the events affecting the CMNE Group's banking entities.

IT risk

IT risk is a subset of operational risk consisting of three categories:

- governance: risk linked to insufficient involvement of governing bodies, insufficient risk management, poor budget management, poorly defined roles and responsibilities, insufficient control of outsourcing;
- operations: risk related to poor management of operations, IT continuity and change, and poor data quality;
- security: risk related to insufficient detection of and response to attacks, insufficient logical protection of assets and physical protection of facilities.

4.2.3.3 Dynamic and proactive risk management

Management of this kind is carried out by means of:

- stress test management based on confederal models and specific internal developments, for which the Risk Department is responsible. Backward-looking stress tests are carried out on a quarterly basis. They are based on the analysis of past crisis periods and hypothetical stress situations determined by business line experts and reviewed at least once a year. These stress tests take into account the various risk factors, foreign currencies, geographical areas, ratings, etc. A property stress test based on past experience has also been put in place;
- regulatory stress tests supplementing internal stress tests. These consist mainly of the stress tests required by the supervisor (EBA, ECB, etc.). In 2018, a stress test was carried out by the ECB and the EBA on the 48 largest European banks, including the Crédit Mutuel Group;
- monitoring loan parameters: keeping track of changes in external ratings and recent developments concerning the main counterparties in the portfolio;
- close links with the Confederation's national units keep CMNE well informed and enable it to benefit from the Crédit Mutuel Group's business line expertise, for both sectoral movements and the assessment of the largest banking, insurance and large corporate counterparties;
- procedures for circulating risk warnings and developments throughout the CMNE Group;
- close links with the various Risk managers in the Group, CMNE circulating warnings and recent developments likely to have an impact on its market trading;
- "Group" initiatives and cross-functional information that improve consistency within the Group as regards market approaches and take into account the expertise of CMNE Group's various specialists and Risk managers;
- the performance of specific stress tests specific to the CMNE Group's risk profiles according to the particularities of the markets;
- an exhaustive identification census of leveraged UCIs.

4.2.3.4 Decision-making and consultation bodies

Various decision-making committees have been set up to ensure that decisions are taken involving the various CMNE Group players.

A New Products Committee has been established to enable CMNE's players to receive the same quality and clarity of information about all new investments. These players contribute their business line expertise, enabling all risk-related issues (whether relating to financial, legal, operational, reputational or any other type of risk) to be resolved at an early stage.

A seed money committee aims to maintain support for the development of management activities for the Group's securities product offerings. This committee manages the allocation of a €200 million envelope at group level in line with one of the three functions of seed money: strategic, opportunistic and operational.

4.2.3.5 Consolidated risk monitoring

The overall assessment of the positions of the various portfolios makes it possible to aggregate the various risks and benefit from consolidated positions in respect of the various CMNE Group entities.

4.2.3.6 Risk measurement using a tried-and-tested valuation process

Liquidity and collateral management are responsible for the valuations used. The financial risk function carries out the necessary checks and makes counter-valuations so as to secure the data reported.

As a result, the valuations used within the CMNE Group are validated based on input from specialists. Where relevant, another valuation can be conducted outside the Group.

4.2.4 Compliance risk

4.2.4.1 Definition

The decree of November 3, 2014, on internal control of banking sector and investment service companies subject to ACPR supervision defines compliance risk as "the risk of judicial, administrative or disciplinary sanction, significant financial loss or reputational damage arising from non-compliance with provisions specific to banking and financial activities, whether of a legislative or regulatory nature, national or directly applicable European provisions, or whether they concern professional and ethical standards, or instructions from the effective managers taken notably pursuant to the guidelines of the supervisory body".

4.2.4.2 Framework and procedures

The aim of the compliance procedures is to meet customer expectations with regard to service quality, professionalism and due diligence; to exercise greater vigilance in relation to the compliance risks to which the CMNE Group may be exposed, with consequences that may be prejudicial to its image or reputation; and to ensure that in addition to compliance with the regulations, the CMNE Group's operations and actions comply with the rules of good conduct and ethics to which it subscribes.

The Group Compliance Department reports to the Chief Executive Officer of the Caisse Fédérale, and its head reports to CFCMNE's Executive Management and to the Federal Risk Committee.

The Compliance Department's responsibilities concerning control cover all Bankinsurance activities of the Caisse Fédérale, the French networks and their subsidiaries, including remote banking, the cross-functional support functions and the activities of the companies in the Bankinsurance France, Bankinsurance Belgium and third-party management divisions.

Each entity's compliance procedures cover the main principles and processes summarized in the Group Compliance Charter and are based, albeit not exclusively, on the mappings of compliance risks regarding market abuse or conflicts of interest, the rules of good conduct, and the mechanisms governing professional warnings or anti-corruption measures, new product approvals, and anti-money laundering and terrorism financing.

Accordingly, each entity implements a governance system tailored to the needs of its specific activities and the manner in which it is organized. The aim of this system is to report on the Compliance activity within the entity, to review major changes to regulations, to examine any shortcomings identified, and to present new risk areas or areas that are not sufficiently covered by the systems in place, the corrective measures decided on or planned, and the reports and recommendations of the regulatory authorities on compliance.

The compliance controls are fully integrated into the control system implemented by the CMNE Group. Each entity's compliance control tasks are defined and integrated into the control plans by means of the entity's internal control tools.

4.2.4.3 Transactions/work

Fiscal year 2019 was marked by the optimization of processing and compliance controls and by the increased security of business relationship flows in the context of the fight against money laundering and terrorism financing.

In addition to the pursuit of the Compliance Department's usual essential activities, which include approval of new products or activities, centralizing malfunctions and monitoring regulatory developments, it carried out major projects in various areas and activities relating to the banking inclusion of vulnerable persons, the compliance of customer self-certification of tax residence, the governance system of financial product distributors (MiFiD2 Directive) and the anti-corruption system.

4.2.5 Insurance risk and participation risk

The Confédération Nationale du Crédit Mutuel was designated as a financial conglomerate by the French prudential control and resolution authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR) in a letter dated December 16, 2005. It operates as a financial conglomerate via the Groupe des Assurances du Crédit Mutuel (GACM, a subsidiary of the Crédit Mutuel Alliance Fédérale Group and of CMNE), Suravenir (life) and Suravenir Assurances (non-life) (subsidiaries of CM Arkéa). These subsidiaries sell a large range of life insurance, personal insurance and property and liability insurance, predominantly through the Crédit Mutuel Group's banking networks. The CMNE Group owns 10.22% of GACM, which is accounted for by the equity method in the consolidated financial statements.

In this context, CMNE obtained the ECB's authorization not to deduct its interest in GACM from its regulatory capital, which is conditional on the implementation of the regular exchange of information between CMNE and CM Alliance Fédérale to monitor, in particular, the three main risks identified within the insurance companies' activities, i.e. financial risks, technical risks and counterparty risks for the reinsurance companies:

- financial risks represent the various changes in the financial indicators that could have an impact on the insurance company's solvency;
- technical risks correspond to the taking into account of external events: natural disasters, epidemics, etc., which could result in higher than expected reimbursement amounts over a shorter term;
- counterparty risks in the case of reinsurance companies correspond to the potential impact of the default of a counterparty with which the reinsurance company has entered into a reinsurance policy.

Within the CMNE Group, insurance risk is an investment risk (see table 11 of Pillar III on page 86).

4.3 INFORMATION ON BASEL III PILLAR III

Preamble: The Group's response to Covid-19

The Crédit Mutuel Nord Europe Group is fully mobilized to deal with the health crisis linked to Covid-19. As a credit institution, it is fully involved in providing close support to its professional and corporate customers in difficulty, particularly VSE/SMEs.

The Group constantly monitors the quality of its credit commitments, the valuation of its portfolios, the management of interest rate risk and its liquidity.

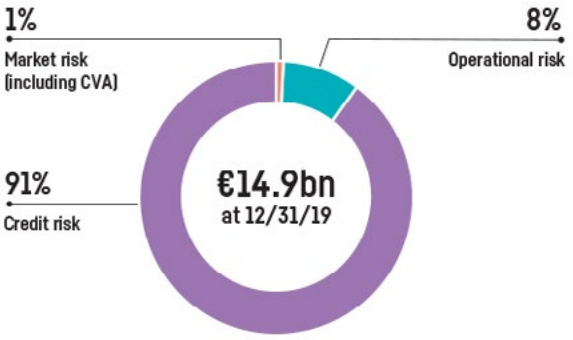
The accounting and prudential impacts of this situation can only be assessed at a later date. However, the government measures taken to limit the spread of the epidemic could lead to a deterioration in the quality of the loan portfolio, especially in the most affected sectors such as retail and tourism, and increase the level of provisioning. The introduction of moratoria, granted on a case-by-case basis by the network and the guarantees proposed by the State should make it possible to limit the effects, the extent of which is difficult to assess currently.

The Group is also impacted by the situation in the financial markets, which could reduce the valuation of its portfolios of financial instruments (bonds, equities and derivatives). As in the 2008 crisis, there is no need for forced disposals and capital losses.

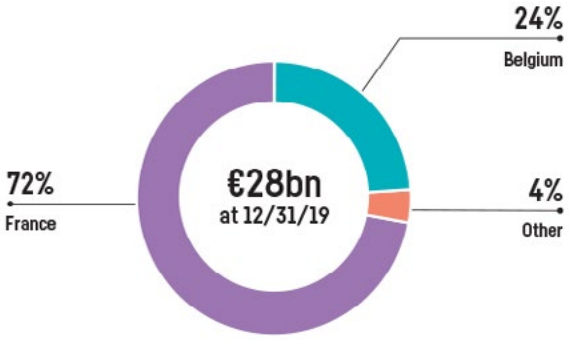
Its financial solidity enables it to face this unprecedented crisis situation, thanks to the level of its shareholders' equity, capital and the resulting ratios, as shown by the key figures in the following paragraph.

4.3.1 Pillar III – key figures

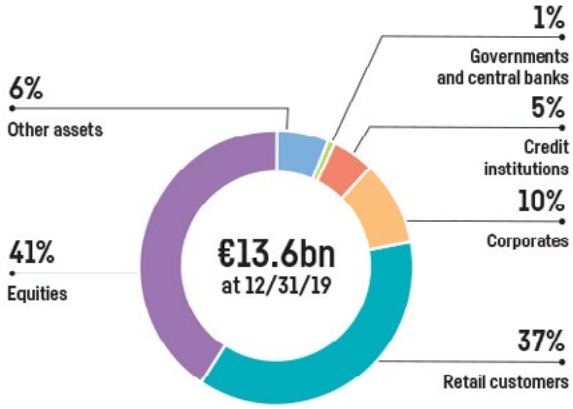
RWA BY TYPE OF RISK



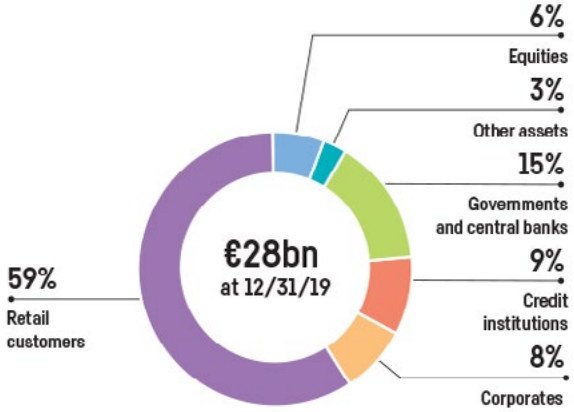
CREDIT RISK – EAD BY COUNTRY



CREDIT RISK – RWA BY CATEGORY



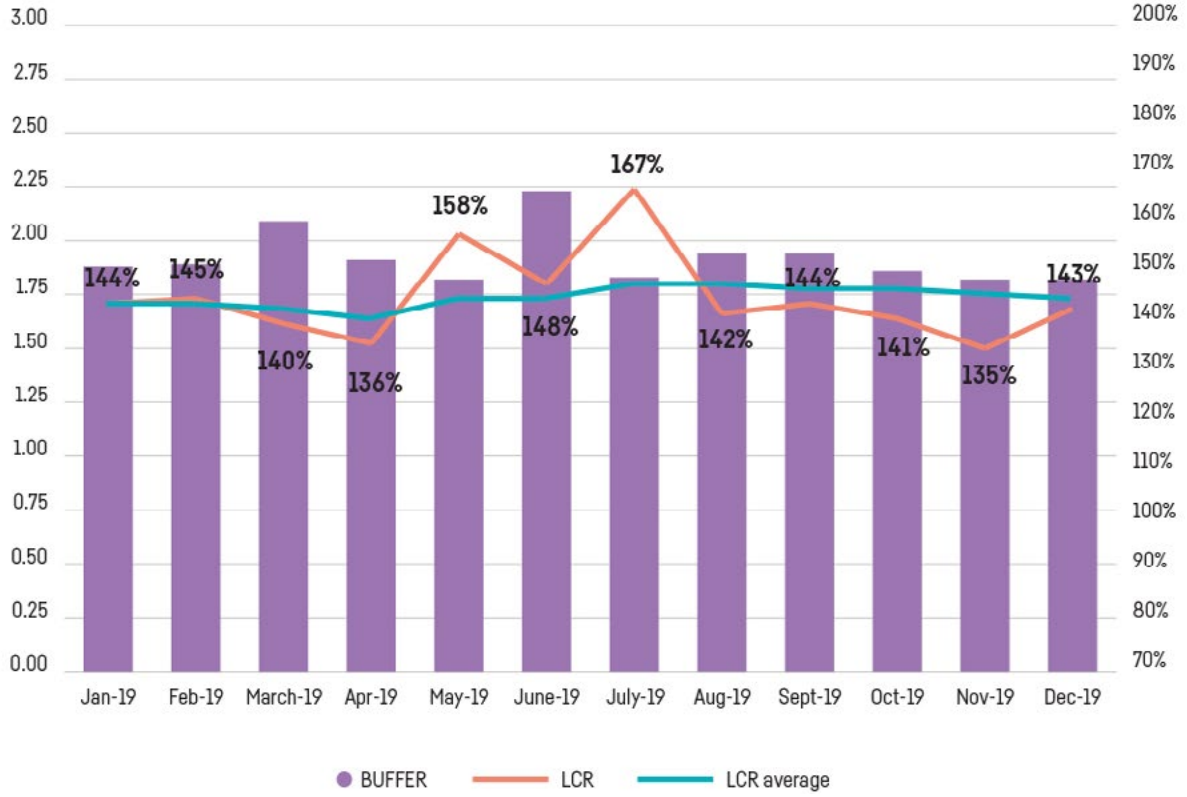
CREDIT RISK – EAD BY CATEGORY



	12/31/19	12/31/18
Overall Solvency Ratio	23.34%	20.52%
Common Equity Tier 1 ratio	18.58%	15.85%
Leverage ratio	10.80%	8.90%
Medium- and short-term LCR	145.26%	147.36%

In € millions	12/31/19	12/31/18
Common Equity Tier 1 (CET1) capital	2,772	2,438
Tier 1 (T1) capital	2,817	2,498
Total capital	3,482	3,156
Total risk-weighted assets (RWA)	14,920	15,384

LIQUIDITY BUFFER *(€bn)* FOR 2019



4.3.2 Risk management objectives and policies

The institution's approach to risk management (Basel III standard: OVA).

4.3.2.1 Risk management policy and procedures

The risk management policy and procedures implemented are described in Section 4 of the annual report entitled "Risk management". The CMNE Group has a reference document on the risk management policy which is submitted, at least once a year, to the Federal Risk Committee and CFCMNE's Board of Directors for their approval. It covers the risk appetite, the general principles governing this policy and their application in the divisions, as well as the principles specific to CMNE Group risks management.

4.3.2.2 Risk management function's structure and organization

At national level

Risk management function

The head of the risk management function is also the head of the CNCM Risk Department, whose formation was ratified on February 27, 2008 by CNCM's Board of Directors. In connection with the Group's governance, the CNCM Risk Department reports on its work to the executive body.

Within the CNCM Risk Department, the "credit risk" unit is responsible for drawing up the credit risk monitoring procedures, and for managing and back-testing models, including the IFRS 9 model (impairment), calculating and monitoring parameters and issuing reports. Its members expand and update the methodologies used for the internal rating system (both those applicable on an ongoing basis and at roll-out).

The financial risks unit (liquidity and interest rate risk) is responsible for defining the national procedures, coordinating work on the modeling of behavioral assumptions and monitoring risks on a consolidated basis. This unit is responsible for coordinating the ILAAP procedures.

The division responsible for operational risks monitors known and potential risks and the impact of risk reduction measures. The common framework and the drawing up of national operational risk procedures are within its remit, as are the coordination and consolidation of the system as a whole. This unit is responsible for the coordination and roll-out of the Advanced Measurement Approach (AMA).

The risk control unit focuses mainly on the coordination of national projects under the responsibility of the Confederal Risk Department. It is therefore directly involved in the development of the Crédit Mutuel Group as regards, in particular, the risk appetite procedures, the ICAAP and the preventive recovery plan.

In connection with this, the risk control unit prepares information for the governing bodies (produces reports for the Basel III work group, the Risk Committee and the Confederal Board of Directors) and ensures compliance with the risk appetite framework defined by the appropriate governance body and as customized by the regional groups.

Lastly, the Risk Department coordinates relations with the supervisory authorities (SSM and SRB) for the Crédit Mutuel Group as a whole.

Permanent control

The responsibilities of the CNCM Permanent Control function include:

- monitoring the rating system as regards credit risk, operational risk, financial risk and accounting risk;
- permanent control of the production of the accounting and regulatory statements and the risk monitoring carried out by the Confederation;
- coordinating regional permanent controls;
- producing the annual regulatory consolidated reports.

At regional level, the information produced for the supervisory bodies depends on the structure implemented in each regional group and is the responsibility of the executive body of the Caisse Fédérale or the Caisse Interfédérale (regional groups and subsidiaries).

At CMNE level

To affirm the cross-functional nature of risk management in the CMNE Group, the Group Risk Department reports directly to Executive Management.

The Group Chief Risk Officer:

- is responsible for the risk management function (appointed by the ACPR);
- reports to the Chief Executive Officer and does not carry out any commercial, financial or accounting activities;
- reports to the effective managers and to the supervisory body, as and when required, or to the Audit Committee and the Risk Committee;
- coordinates those involved in the risk management function at Group level;
- ensures that the risk measurement and monitoring systems are implemented and that the risks taken are compatible with the guidelines set by the supervisory body.

The Group Risk Department encompasses the Permanent Control Department and the Risk Department, which have both a direct operating responsibility within the Bankinsurance France division and a functional responsibility towards their correspondents in the CMNE Group subsidiaries. The Compliance Department is independent of the Group Risk Department, which reports directly to Executive Management. Within their particular areas, these Departments are responsible for the implementation of the risk measurement and monitoring systems, as well as the compatibility of the risks taken with the guidelines set by the supervisory body.

The number of employees working in the internal control functions of Caisse Fédérale and its subsidiaries totaled 160, i.e. around 3.9% of the CMNE Group's total workforce was involved in risk monitoring and control.

The Permanent Control Department

This department is responsible for second-level permanent controls and for information system security.

The Risk Department

Its objectives and responsibilities are to:

- set up and manage at CMNE Group level the risk appetite framework, and the other supervisory review and evaluation processes (SREP) including the ICAAP and stress tests;
- guarantee that the risks to which the CMNE Group is exposed are consistent with the strategies defined by the businesses, and coordinate the risk measurement systems and results;
- warn Executive Management of any situation likely to have significant repercussions for risk management, manage relevant warnings and formulate recommendations in response to the risks identified;
- inform the Federal Risk Committee of the risk exposure, the methods implemented, and the recommendations for managing them in accordance with the policies approved by the Board of Directors;
- draw up the Group risk management report, report to the CMNE Group's Executive Management, inform the Federal Board of Directors via the Risk Committee, and send the relevant information to the supervisory bodies (ACPR and ECB). Submit the quarterly risk assessment information on GACM's insurance activities;
- update the overall risk mapping;
- supervise the operational risk management function.

The Compliance Control Department

The Compliance Control Department, which now reports to Executive Management, is responsible for monitoring regulatory developments, anti-money laundering and terrorism financing, investment services control, compliance permanent control, and providing written advice on the compliance of new products.

The Audit Committee

Chaired by a director, there are four other federal directors on the Audit Committee, which meets at least five times a year. Meetings are also attended by the Chief Executive Officer, the Chief Operating Officer, the General Inspector, the General Secretary, the Head of the Group Risk Department and the members of the Management Committee. The Group General Inspector acts as secretary to the Committee. The Committee is responsible for:

- the establishment and maintenance by Executive Management of an effective internal control system, and the consistency of the systems used to measure, monitor and control risks on a consolidated basis;
- on the basis of a multi-year plan, approving the annual audit plan detailing the work of the Group Audit Inspection Department and proposing periodic control policies for the Group as a whole;
- arranging for the reports drawn up by Group Audit Inspection to be submitted to the Committee, approving their findings and verifying that their recommendations have been implemented;
- monitoring of the financial reporting process, the statutory audit of the annual and consolidated financial statements by the statutory auditors, and the independence of the statutory auditors;
- the examination and approval of the parent company and consolidated financial statements.

The Group Risk Committee

Chaired by an independent director, there are four other federal directors on the Risk Committee, which meets at least seven times a year. Meetings are also attended by the Chief Executive Officer, the Chief Operating Officer, the General Inspector, the General Secretary, the Head of the Group Risk Department and the members of the Management Committee. The Head of the Group Risk Department acts as secretary to the Committee. The Committee is responsible for:

- proposing the Group's risk policy;
- monitoring the risk strategy and appetite;
- assessing the risks, notably in relation to the Group's equity and earnings;
- ensuring that the Group complies with the regulatory and prudential obligations.

These two committees report to the Federal Board of Directors and are governed by specific internal regulations.

In connection with the CMNE Group's governance, the Risk Department reports on its work to the effective managers. The CMNE Group places great importance on having a robust and efficient system for monitoring and controlling its risks. This system covers all banking and non-banking risks to which the CMNE Group entities are exposed, in accordance with the standards set by the ACPR, in particular the decree of November 3, 2014, on the internal control of banking sector companies, payment services and investment services, and the complementary surveillance of financial conglomerates.

4.3.2.3 Scope and nature of risk reporting and measurement systems

On the subjects of credit risk, interest rate risk, market risk and operational risk, the Risk Department and the Finance and Treasury Department draw up management reports to monitor and analyze changes in the CMNE risk profile.

For credit risk, the risk reporting and measurement system in place leans very heavily on Basel accord tools, interfaced with the accounting system.

The operational risk control and measurement system is based on the setting up and maintenance of a national database including claims and risk mappings carried out for each business line and for each type of risk, in close collaboration with the departments concerned and the day-to-day risk management measures.

4.3.2.4 Risk hedging and reduction policies, and policies and procedures put in place to ensure their constant effectiveness

Details of the risk hedging and reduction policy, as well as procedures put in place to ensure they remain effective, are provided later in this document.

Their consistency at national level is ensured by limit mechanisms, procedures, management reports and control processes (permanent and periodic).

4.3.2.5 The Group's risk profile

The CMNE Group is a mutual bank, owned solely by its members, which is not included in the list of Global Systemically Important Financial Institutions (G-SIFIs). The Crédit Mutuel Group, of which the CMNE Group is a member, is included in the list of Other Systemically Important Institutions (O-SIIs). The CMNE Group operates in France and Belgium.

Retail banking is its core business, as demonstrated by the share of customer credit risk in its total capital requirements and the predominance of the Retail portfolio in all its exposures.

The Group's strategy is one of controlled, sustainable and profitable growth. Its financial solidity is strengthened by the regular retention of earnings. Its Common Equity Tier 1 capital ratio of 18.58% at the end of 2019 places it among the safest European banks.

The Group's risk management process is designed to fit its risk profile and strategy and the appropriate risk management systems.

Trading on the financial markets is carried out in accordance with secure and prudent management principles and with reference to the SRAB law (law on Separation and Regulation of Banking Activities).

4.3.2.6 Risk appetite

The Crédit Mutuel Group's general risk appetite framework is defined in conjunction with risk mapping and approved at Confédération Nationale du Crédit Mutuel level.

The CMNE Group, its main entities and business lines break down the framework for operational purposes, on the basis of quantitative and qualitative criteria, into policies governing risk appetite and maximum risk tolerance, including an additional prudence factor.

Risk appetite represents the quantitative level and types of risks (credit, market, liquidity, operational, profitability and solvency) that the CMNE Group is prepared to accept in accordance with its strategic objectives (Medium-Term Plan), without jeopardizing its viability and while seeking an appropriate risk/return ratio. It is applied and formalized at the level of each of the divisions (Bankinsurance France division, Bankinsurance Belgium division and third-party management division), constituting centers of business line expertise around Caisse Fédérale du CMNE.

The risk appetite framework includes in a single document approved by the Federal Board of Directors:

- risk appetite;
- risk management policy;
- the procedures;
- the description of the roles and responsibilities of the governance bodies that supervise its implementation, management and control.

It is directly related to the Group's objectives and the Medium-Term Plan, and it must contribute to promoting a strong financial and risk culture within the Group, such that the emergence of new risks or any risk taking exceeding the tolerance thresholds is rapidly identified and brought to the attention of the decision-making bodies.

Dissemination of the risk culture (to, in particular, the business lines and the risk management, compliance and control functions) is based on the risk appetite framework:

- shared understanding of the Group's values and its risk appetite;
- action in the event of the limits being breached and of non-compliance (escalation procedures).

Through its involvement in activities including attracting new deposits, financing the economy and means of payment, the CMNE Group offers a full range of financial and insurance services to individual, professional and corporate customers.

The CMNE Group has a well-controlled, long-term and profitable business model centered mainly around local banking. It is based on:

- internal and organic growth in France by increasing its market share in respect of both deposits and loans;
- diversifying the network's product range (notably in the insurance business line) and technological innovation with the aim of offering products that are better suited to its customers' needs;
- rationalizing computer applications;
- prudent and targeted international development, aimed at increasing the diversification of the retail banking product range;
- organization around strong brands.

The CMNE Group is faithful to its cooperative model and aims to maintain and regularly strengthen its sound financial position, a source of security and sustainability.

By means of its business model and values, the CMNE Group has historically developed activities that expose it to low and shared risk. Retail banking is the CMNE Group's core business and the majority of its customers are individuals. This is demonstrated by the share of credit risk in its total capital requirements (more than 90%) and the predominance of the Retail portfolio in its total exposures.

To enable graduated risk management, warning thresholds and limits are placed on risk indicators, upstream of the recovery thresholds.

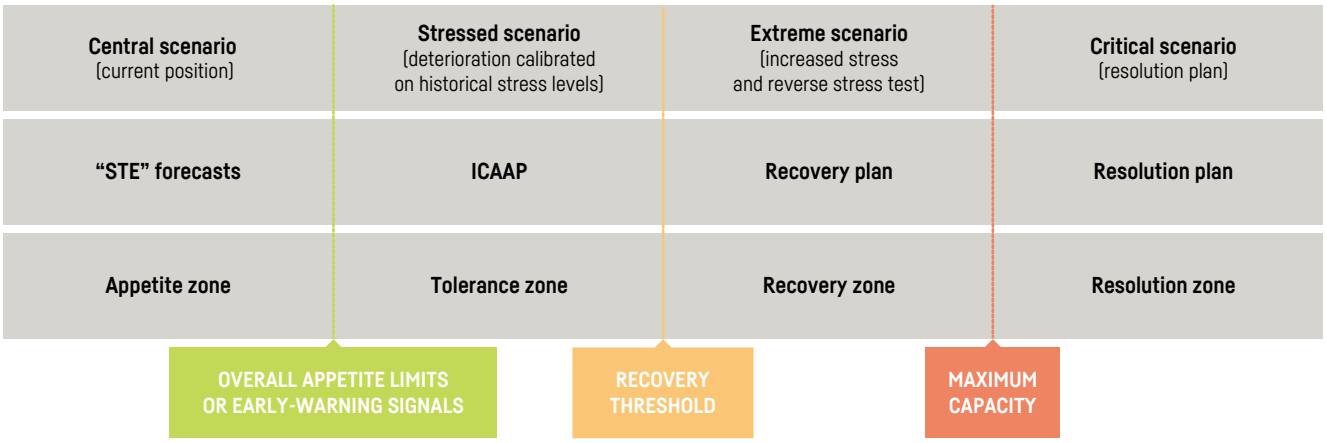
On the assumption that the process is based on a framework of key indicators by type of risk, and the need to adopt a graduated approach, the following three risk areas have been identified:

- the first corresponds to the risk appetite in the current environment (i.e. the central scenario for financial forecasts in the ICAAP), equivalent to a comfort zone in terms of risk (green zone);
- the second corresponds to a risk zone located beyond the appetite but that can be tolerated, notably to the extent the CMNE Group would not be required to implement its recovery options. Inclusion in this zone, calibrated notably on the basis of the results of the stress scenarios (ICAAP and ILAAP), would trigger an amber light;
- the third corresponds to a risk zone that is no longer tolerated, inclusion in which is evidenced by a breach of the recovery thresholds already defined by the Confederal Board of Directors (red zone), leading, depending on the procedures in force (in particular DCG 2016-01 on solidarity), to the implementation of the recovery options specified by the CMNE Group.

Beyond these zones, a "black zone" could mark the placing of an institution in resolution and the Single Resolution Mechanism taking control of it in the event of the Group's failing to recover.

The system is structured as follows:

Scenarios graduated on the basis of an increasing risk level



This approach clearly demonstrates the leeway the supervisory bodies allow Executive Management to ensure the CMNE Group's development, whilst distinguishing between:

- the purview of day-to-day operations (green zone): within this zone, the operational limits and management objectives are set;
- from the purview of a risk zone that can be tolerated (orange zone) but which exceeds the CMNE Group's risk appetite, which must be defined in accordance with the prudence principle affirmed by the Crédit Mutuel Group's general risk appetite framework.

The risk appetite framework is supplemented by the limits system and the monitoring thereof, and the capital adequacy and liquidity statements:

T1	• The ICAAP approach, aimed at ensuring the Group has sufficient capital to cope with a stress situation, with a forward-looking vision over three years • The ILAAP approach, involving assessing the adequacy of the Group's refinancing profile on the basis of its development model, its requirements and liquidity reserves (under normal and stress conditions)
T2	• The limits system for controlling risk taking and the key indicators system for monitoring a potential recovery situation • The warning procedures if a significant incident occurs

T1 – Consolidated risk management framework

Cornerstones of the framework:

Capital adequacy (ICAAP)		
Prospective risk analysis		
Quality of credit risks	Sector/ unit concentration	Sovereign risk
Market risk	Interest rate risk	Operational risk
Reputational risk	Strategic risk	

- **Determining economic capital requirements** by assessing internal stress tests
- **Reverse stress test–solvency**
- **Projecting capital adequacy in relation to requirements based on the updated MTP and capital planning**

Liquidity adequacy (ILAAP)	
Measuring and monitoring liquidity	
Balance sheet ratios	Short-term liquidity
Increased refinancing costs	Transformation

- **Internal stress tests to verify liquidity adequacy**
- Contingency funding plan
- **Measuring liquidity adequacy under normal and stress conditions**

T2 – Consolidated risk monitoring

Limits and warning thresholds

- **Risk Appetite and Group Risk Management Policy:** Managing the following risks: credit, market, interest rate, liquidity, operational, equity investment, strategic and non-banking
- **Key indicators** (Crisis Recovery Plan)
- **Warning procedures** for significant incidents:

Levels validated by CNCM's Board of Directors	Levels validated by the CMNE Group

Procedure for breaches of appetite and tolerance threshold and CRP indicators. CNCM's Board of Directors and Executive Management are informed and, where relevant, decisions are taken by the effective managers

Profitability	Risk quality	Solvency
	Liquidity	

Crisis Recovery Plan (CRP)

Fiscal year at CMNE

Monitoring the Group's risk capacity

Presented to the RISK COMMITTEE

- **Consolidated risk reporting: solvency ratio, ICAAP reporting, reporting on the following risks: credit, operational, settlement/delivery, ALM management,** capital markets activity, non-compliance, money-laundering and terrorism
- **Stress tests** on credit, interest rate, market and liquidity risk: ICAAP, ILAAP and STE
- **Monitoring of Group risk indicators:** Appetite and CRP

4.3.3 Scope of the regulatory framework

Pursuant to EU Regulation 575/2013 of the European Parliament and the European Council relative to capital requirements applicable to credit institutions and investment firms (known as CRR), the accounting and regulatory entities are the same but how they are consolidated is not.

For the CMNE Group, the consolidation method differs for entities whose activities are not an extension of the banking or financial activity, i.e. those non-financial entities (securitization funds) which are consolidated using the equity method, regardless of the percentage of control. Details of the entities included in the scope are provided in note 1 to the financial statements.

In the case of the following entities, the method used for accounting consolidation purposes (full consolidation) is different from that used for prudential consolidation purposes (equity method):

TABLE 1: DIFFERENCES BETWEEN THE ACCOUNTING CONSOLIDATION AND PRUDENTIAL CONSOLIDATION SCOPES – (LI3) – AT 12/31/19

Company	Accounting consolidation method	Prudential consumption method	Description of entity
SPV JARNA	Full Consolidation	Equity method	SPV

TABLE 2: DIFFERENCES BETWEEN THE ACCOUNTING AND REGULATORY CONSOLIDATION SCOPES AND ALLOCATION OF FINANCIAL STATEMENT ITEMS TO THE REGULATORY RISK CATEGORIES – (LI1) – AT 12/31/19

	a	b	c	d	e	f	g
	Carrying amounts						
In € millions	as per the published financial state-ments	in the regulatory consoli-dation scope	of items subject to the credit risk framework	of items subject to the counter-party risk framework	of items subject to the provisions relating to securitization	of items subject to the market risk framework	of items not subject to the capital adequacy requirements or subject to deduction from capital
ASSETS							
Cash and amounts due from central banks – Assets	1,079	1,079	1,079	-	-	-	-
Financial assets at fair value through profit or loss	1,268	971	971	158	-	-	-
Hedging derivatives. – Assets	8	8	-	8	-	-	-
Financial assets at fair value through equity	2,585	2,585	2,585	-	-	-	-
Securities at amortized cost	150	150	-1	-	-	-	152
Loans and receivables due from credit institutions at amortized cost	2,923	2,721	2,566	155	-	-	-
Loans and receivables due from customers at amortized cost	17,373	17,373	17,355	18	-	-	-
Remeasurement adjustment on interest-rate risk hedged investments	51	51	-	-	-	-	51
Investments by the insurance businesses and reinsurers' share of technical reserves	-	-	-	-	-	-	-
Current tax assets	94	94	94	-	-	-	-
Deferred tax assets	57	57	57	-	-	-	-
Accruals and other assets	450	450	450	-	-	-	-
Non-current assets held for sale	46	46	46	-	-	-	-
Deferred profit sharing	-	-	-	-	-	-	-
Investments in associates	1,409	1,409	1,132	-	-	-	277
Investment property	191	191	191	-	-	-	-
Property, equipment and finance leases as lessee	250	250	250	-	-	-	-
Intangible assets	37	37	-1	-	-	-	38
Goodwill	199	199	-	-	-	-	199
TOTAL ASSETS	**28,173**	**27,674**	**26,775**	**340**	**-**	**-**	**717**

4

In € millions	a	b	c	d	e	f	g
	Carrying amounts						
	as per the published financial state-ments	in the regulatory consoli-dation scope	of items subject to the credit risk framework	of items subject to the counter-party risk framework	of items subject to the provisions relating to securitization	of items subject to the market risk framework	of items not subject to the capital adequacy requirements or subject to deduction from capital
LIABILITIES							
Central banks – Liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	597	299	-	156	-	-	143
Hedging derivatives. – Liabilities	62	62	-	62	-	-	-
Due to credit institutions	1,071	870	-	-	-	-	870
Due to customers	18,545	18,545	-	-	-	-	18,545
Debt securities	2,629	2,629	-	-	-	-	2,629
Remeasurement adjustment on interest-rate risk hedged investments	-	-	-	-	-	-	-
Current tax liabilities	75	75	-	-	-	-	75
Deferred tax liabilities	14	14	14	-	-	-	-
Accruals and other liabilities	787	787	-	107	-	-	680
Liabilities associated with assets held for sale	33	33	-	-	-	-	33
Technical provisions	-	-	-	-	-	-	-
Due to credit institutions – FVO	-	-	-	-	-	-	-
Debt securities – FVO	-	-	-	-	-	-	-
Derivative instruments held for trading	-	-	-	-	-	-	-
Due to credit institutions	-	-	-	-	-	-	-
Hedging derivatives. – Liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Subordinated debt issued by the insurance companies	-	-	-	-	-	-	-
Provisions for contingencies and charges	149	149	-	-	-	-	149
Subordinated debt issued by the banks	819	819	-	-	-	-	819
Shareholders' equity	3,389	3,389	-	-	-	-	3,389
Shareholders' equity attributable to owners of the company	3,337	3,337	-	-	-	-	3,337
Share capital and premiums	1,379	1,379	-	-	-	-	1,379
Consolidated reserves – Group	1,643	1,643	-	-	-	-	1,643
Unrealized gains and losses recognized in equity – Group	153	153	-	-	-	-	153
Net income – Group	162	162	-	-	-	-	162
Shareholders' equity – Non-controlling interests	52	52	-	-	-	-	52
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**28,173**	**27,674**	**14**	**325**	**-**	**-**	**27,334**

TABLE 3: MAIN SOURCES OF DIFFERENCES BETWEEN THE REGULATORY AMOUNTS OF THE EXPOSURES AND THE CARRYING AMOUNTS IN THE CONSOLIDATED FINANCIAL STATEMENTS – (L12) – AT 12/31/19

		a	b	c	d	e
			Items subject to the			
In € millions		Total	Credit risk framework	Counterparty risk framework	Provisions relating to securitization	Market risk framework
1	*Carrying amount of assets in the regulatory consolidation scope (as per table LI1)*	*27,115*	*26,775*	*340*	-	-
2	*Carrying amount of liabilities in the regulatory consolidation scope (as per table LI1)*	*340*	*14*	*325*	-	-
3	Total net assets in the regulatory consolidation scope	26,775	26,761	14	-	-
4	Off-balance sheet commitments	3,841	3,841		-	
	Measurement adjustment on off-balance sheet commitments	-2,572	-2,572		-	
5	Measurement adjustments	91		91		
6	Adjustments resulting from different netting rules, other than those already recorded on line 2	-9		-9		-
7	Adjustments resulting from the recognition of provisions	189	189		-	
8	Adjustments resulting from prudential filters	-	-			
9	Other	-111	-111		-	
10	Regulatory value of exposures	28,204	28,108	96	-	-

4

4.3.4 Equity

4.3.4.1 Equity structure

Since January 1, 2014, regulatory capital has been determined in accordance with part I of EU Regulation 575/2013 of the European Parliament and Council of June 26, 2013, concerning prudential requirements applicable to credit institutions and investment firms, modifying EU Regulation 648/2012 (the so-called "CRR"), rounded out by technical standards (delegated and EU execution regulations of the European Commission).

Shareholders' equity now consists of 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; and
- Tier 2 capital net of deductions.

Tier 1 capital

Common Equity Tier 1 (CET 1) capital consists of share capital instruments and the associated issuance premiums, reserves (including those on items of other comprehensive income) and non-distributed earnings. Payments must be totally inflexible and the instruments must be perpetual.

Taking into account the provisions of delegated regulation (EU) 2015/850, the former B shares and F shares are no longer eligible for CET1. However, in accordance with the provisions of the CRR (Articles 484 and 486), they may be retained in respect of "grandfather" clauses, on a reducing balance basis over a period of ten years, from the amount recorded at December 31, 2012. The ceiling of the former B shares and F shares eligible for CET1 for 30% of their outstandings at December 31, 2012 for the 2019 fiscal year has been complied with.

Additional Tier 1 (AT1) capital consists of perpetual debt instruments without any redemption incentive or obligation (in particular step-up features). AT1 instruments are subject to a loss absorption mechanism triggered when the CET1 ratio is below a minimum threshold set at 6%. These instruments may be converted into shares or incur a reduction in their nominal value. Payments must be totally inflexible: suspension of coupon payments is at the issuer's discretion.

Article 92, paragraph 1, of the CRR sets a minimum Common Equity Tier 1 ratio of 4.5% and a minimum Tier 1 ratio of 6%. The ECB requires CFCMNE, at the end of the supervisory review and evaluation process (SREP), to comply, on a sub-consolidated basis, with an overall equity ratio of 9.75% and a Common Equity Tier 1 ratio (CET 1) of 6.25%, as such ratios are defined in Regulation (EU) 575/2013.

This 6.25% rate was renewed for the 2019 fiscal year (letter of December 06, 2018).

To the Tier 1 capital adequacy requirement must be added the 2.50% conservation buffer, as such ratio is defined in the CRD IV regulation.

Common Equity Tier 1 capital is determined based on reported shareholders' equity, calculated on the prudential scope, after applying prudential filters and a number of regulatory adjustments.

Prudential filters

Since January 1, 2018, and due to the expiry of the transitional provisions applied to unrealized gains (other than securities subject to cash-flow hedging), said gains are no longer filtered and are now included in CET 1 capital.

Differences between the income of affiliates recorded on an equity basis are spread between reserves and retained earnings, on the one hand, and net income, on the other hand, according to the capital categories in which they originate.

In contrast, unrealized gains and losses recognized for accounting purposes in equity due to a cash flow hedge and those relating to other financial instruments, including debt instruments, continue to be eliminated (as under the CRBF Regulation 90-02).

Other CET1 adjustments mainly concern:

- forecasts of dividend payments to shareholders;
- deducting goodwill and other intangible assets;
- the negative difference between provisions and expected losses as well as expected losses on equities;
- value adjustments due to requirements for conservative valuation;
- deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated 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 balance sheet and that result from changes in the institution's credit standing;
- direct, indirect and synthetic holdings in the CET1 instruments of financial sector entities when these exceed a threshold of 10% of the CET1.

Main features of capital instruments (AT1)

AT1 capital instruments consist of deeply subordinated notes issued in 2004, for an amount of €150 million, which is being gradually reclassified, at the rate of 10% per year, as T2. At December 31, 2019, the amount eligible as AT1 capital was 30% of the par value of the deeply subordinated notes, i.e. €45 million.

Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Early redemption incentives are prohibited.

The amount of "eligible capital" is more limited. This notion is used to calculate thresholds for major risks and non-financial investments weighted at 1,250%. It is the sum of:

- Tier 1 capital;
- Tier 2 capital, capped at 1/3 of Tier 1 capital.

TABLE 4: RECONCILIATION OF THE FINANCIAL BALANCE SHEET/REGULATORY BALANCE SHEET/SHAREHOLDERS' EQUITY – (CCC2) – AT 12/31/19

In € millions	Accounting consolidation	Prudential consolidation	Vari-ance
Shareholders' equity	3,390	3,391	
Shareholders' equity attributable to owners of the company – excl. OCI	**3,185**	**3,186**	
Subscribed capital and issue premiums	1,380	1,380	-
Consolidated reserves – Group	1,643	1,644	-1
Consolidated net income – attributable to owners of the company	162	162	-
Shareholders' equity attributable to non-controlling interests – excl. OCI	**52**	**53**	
Consolidated reserves – Non-controlling interests	33	33	-
Consolidated net income – Non-controlling interests	19	20	-1
Unrealized gains or losses attributable to owners of the company	**153**	**152**	**1**
of which equity instruments	*77*	*77*	-
of which debt instruments	*102*	*102*	-
of which cash flow hedges	*-11*	*-11*	-
Unrealized gains or losses attributable to non-controlling interests	**-**	**-**	**-**
Other balance sheet items			
Intangible assets	37	37	-
Goodwill (Inc. In the value of equity-accounted investments)	476	476	-
Deferred tax			
- Assets	57	57	-
of which deferred tax assets on tax loss carryforwards	-	-	-
- Liabilities	14	14	-
of which deferred tax liabilities on intangible assets	-	-	-
Subordinated debt	819	819	-

	In € millions	CET1	AT1	T2
	Capital	2,772	45	665
1	**Capital attributable to owners of the company**	**3,158**		
	Paid-in capital and share premiums*	1,372		
	Prior retained earnings	1,643		
	Gain or loss (attributable to owners of the company)	162		
	(-) Share of interim profits or ineligible closing date profits	-19		
2	**Capital – non-controlling interests**	**-**	**-**	**-**
	Qualifying non-controlling interests*	-	-	-
3	**Unrealized gains or losses attributable to owners of the company**	**153**		
	*of which equity instruments**	*6*		
	*of which debt **	*24*		
	of which cash flow hedge reserves	*-11*		
	Other balance sheet items included in the capital calculation	**-538**	**45**	**665**
4	● Gross amount of other intangible assets including deferred tax liabilities on intangible assets (a-b)	-37		
	● Goodwill on intangible assets	-476		
5	● Deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated tax liabilities	-		
6	Subordinated debt*		45	760
	Deductions and prudential filters (see following table)	-25	-	-95

* Existence of transitional provisions

	CET1	AT1	T2
Deductions and prudential filters	**-25**	**-**	**-95**
Securitization positions that may be weighted at 1,250%	-		
(-) 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	-	-	-152
(-) Excess deductions in relation to the equity level	-	-	-
Under the internal ratings-based approach, negative difference between provisions and expected losses	-32		
Under the internal ratings-based approach, positive difference between provisions and expected losses			2
Credit risk adjustments (standardized approach)			55
Prudential filter: cash flow hedge reserves	11		
Prudential filter: value adjustments due to requirements for prudent valuation	-4		
Prudential filter: fair value gains and losses arising from own credit risk related to derivative liabilities	-		
Other	-		-

Comments

1 The difference reflects the treatment required by the notice of the General Secretariat of the ACPR concerning capital gains and losses on the books of companies accounted by the equity method (see Point 3);
2 Specific calculation is made for non-controlling interests under the CRR;
3 The difference reflects the treatment required by the notice of the General Secretariat of the ACPR concerning capital gains and losses on the books of companies accounted by the equity method (see Point 1);
4 The amount of intangible assets deducted from capital includes the related deferred tax liabilities;
5 Deferred tax assets and liabilities are subject to specific treatment in accordance with the European regulations; Highlight "5" in the table;
6 Subordinated debt included in capital differs from the accounting consolidation and the calculation of a regulatory reduction over the last five years for fixed-term debt.1

TABLE 5: QUALITATIVE INFORMATION ON EQUITY INSTRUMENTS – AT 12/31/19

Main features of CET1 capital instruments

		A shares	C shares	B shares	F shares
1	Issuer	Crédit Mutuel Nord Europe			
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Shares: 969500MOQLCWGNJR5B72			
3	Law governing the instrument	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and Article L. 5-12-1 of the French Monetary and Financial Code			
REGULATORY TREATMENT					
4	• Transitional CRR rules	Common equity tier 1 capital			
5	• Post-transitional CRR rules	Common equity tier 1 capital		Ineligible	
6	• Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Solo and (sub-)consolidated			
7	• Type of instrument (to be specified for each jurisdiction)	Shares – list published by the EBA (Article 26, paragraph 3 of the CRR)			
8	Amount recognized in regulatory capital *(currency in millions, as of most recent reporting date)*	45.31	1,209.72	85.75	28.74
9	Nominal value of instrument	45.31	1,209.72	85.75	28.74
9a	Issue price	45.31	1,209.72	85.75	28.74
9b	Redemption price	45.31	1,209.72	85.75	28.74
10	Accounting classification	Shareholders' equity			
11	Initial issue date	Variable			
12	Perpetual or dated	Perpetual			
13	• Original maturity date	N/A			
14	Issuer buyback option subject to the prior approval of the supervisory authority	No			
15	Optional call date, contingent call date and buyback price	N/A			
16	• Subsequent buyback option call dates, if any	N/A			
COUPONS/DIVIDENDS					
17	Fixed or floating dividend/coupon (or N/A)	N/A	Floating	Floating	Floating
18	Coupon rate and any related index	N/A			
19	Existence of a dividend stopper	No			
20a	• Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary			
20b	• Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary			
21	• Existence of a step-up mechanism or other buyback incentive	No			
22	• Cumulative or non-cumulative	No			
23	Convertible or non-convertible	Non-convertible			
24	• If convertible, conversion trigger	N/A			
25	• If convertible, fully or partially	N/A			
26	• If convertible, conversion rate	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	Write-down features	Yes			
31	• If write-down, write-down trigger	By decision of the Shareholders' Meeting or, in case of resolution, by decision of the Resolution College of the French prudential supervision and resolution authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR) pursuant to its powers under Article L. 613-31-16 of the French Monetary and Financial Code			
32	• If write-down, full or partial	Full or partial write-down			
33	• If write-down, permanent or temporary	Permanent			
34	• If temporary write-down, description of write-up mechanism	N/A			
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Ranks lower than all other claims			
36	Non-compliant features (yes/no)	No		Yes	
37	If yes, specify non-compliant characteristics	N/A		With preference dividends	

Main features of capital instruments (AT1)

1	**Issuer**	**Caisse Fédérale du Crédit Mutuel Nord Europe**
2	**Unique identifier** (*e.g.* CUSIP, ISIN or Bloomberg identifier for private placement)	**FR0010128835**
3	**Law governing the instrument**	Article L. 228-97 of the French Commercial Code
	Regulatory treatment	
4	Transitional CRR rules	**Additional Tier 1 capital for 30%, 70% as Tier 2 capital**
5	Post-transitional CRR rules	**Tier 2 capital**
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	**Solo and (sub-)consolidated**
7	Type of instrument (to be specified for each jurisdiction)	Subordinated instrument (Article 63 of the CRR)
8	**Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)**	€150m, of which €105m classified as Tier 2 capital
9	**Nominal value of instrument**	€150,000,000
9a	**Issue price**	€150,000,000
9b	**Redemption price**	€82,125,000
10	**Accounting classification**	Liabilities – amortized cost
11	**Initial issue date**	11/18/14
12	**Perpetual or dated**	**Perpetual**
13	**Original maturity date**	**N/A**
14	**Issuer buyback option subject to the prior approval of the supervisory authority**	**Yes**
15	Optional call date, contingent call date and buyback price	After 11/18/14
16	Subsequent buyback option call dates, if any	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed to floating
18	**Coupon rate and any related index**	6% then Min (8%; CMS 10Y + 0.175%)
19	**Existence of a dividend stopper**	**No**
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of a step-up mechanism or other buyback incentive	N/A
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, conversion rate	**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	**Write-down features**	
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	**Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)**	Equity loans
36	**Existence of non-compliant characteristics**	No
37	**If yes, specify non-compliant characteristics**	N/A

Main features of capital instruments (T2)

1	Issuer	Caisse Fédérale du Crédit Mutuel Nord Europe				
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0011828235	FR0011927037	FR0012033926	FR0012046860	FR0012112605
3	Law governing the instrument	L. 211-1 et seq. of the French Monetary and Financial Code				
REGULATORY TREATMENT						
4	• Transitional CRR rules	Tier 2 capital				
5	• Post-transitional CRR rules	Tier 2 capital				
6	• Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Solo and (sub-)consolidated				
7	• Type of instrument (to be specified for each jurisdiction)	Subordinated instrument (Article 63 of the CRR)				
8	Amount recognized in regulatory capital *(currency in millions, as of most recent reporting date)*	4.3	6.2	11.1	1.8	2.8
9	Nominal value of instrument	4.3	6.2	11.1	1.8	2.8
9a	Issue price	4.3	6.2	11.1	1.8	2.8
9b	Redemption price	4.3	6.2	11.1	1.8	2.8
10	Accounting classification	Liabilities – Amortized cost				
11	Initial issue date	04/10/14	06/03/14	08/06/14	07/29/14	09/03/14
12	Perpetual or dated	Dated				
13	• Original maturity date	04/10/24	06/03/24	08/06/24	07/29/24	09/03/24
14	• Issuer buyback option subject to the prior approval of the supervisory authority	Yes				
15	• Optional call date, contingent call date and buyback price	At any time if there is a capital, withholding tax or gross-up event. The issuer may repurchase the subordinated bonds once five years have elapsed since their issue				
16	• Subsequent buyback option call dates, if any	N/A				
COUPONS/DIVIDENDS						
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Fixed to floating	Floating	Fixed to floating
18	Coupon rate and any related index	4% then Min 4.5%; Max 3%; CMS 10-year	3.15% then Min 6%; Max 3.15%; CMS 10-year	3.10% then Min 5%; Max 3.10%; CMS 10-year	130%* CMS 10 years	3.10% then Min 5%; Max 3.10%; CMS 10-year
19	Existence of a dividend stopper	No				
20a	• Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A				
20b	Fully discretionary, partially discretionary 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	Non-convertible				
24	• If convertible, conversion trigger	N/A				
25	• If convertible, fully or partially	N/A				
26	• If convertible, conversion rate	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	Write-down features	No				
31	• If write-down, write-down trigger	N/A				
32	• If write-down, full or partial	N/A				
33	• If write-down, permanent or temporary	N/A				
34	• If temporary write-down, description of write-up mechanism	N/A				
35	Rank of instrument in the event of liquidation (indicate the type of instrument of immediately higher rank)	Redeemable after repayment of preferred and unsecured creditors.				
36	Existence of non-compliant characteristics	No				
37	If yes, specify non-compliant characteristics	N/A				

Caisse Fédérale du Crédit Mutuel Nord Europe										
FR0012187078	FR0012187086	FR0012303246	FR0011781061	FR0012304442	FR0012618320	FR0012632495	FR0012616894	FR0012767267	FR0013073764	FR0013201431
L. 211-1 et seq. of the French Monetary and Financial Code										
REGULATORY TREATMENT										
Tier 2 capital										
Tier 2 capital										
Solo and (sub-)consolidated										
Subordinated instrument (Article 63 of the CRR)										
4.8	3.36	3.93	117.15	54.69	22	3	39.67	30	50	300
4.8	3.36	3.93	117.15	54.69	22	3	39.67	30	50	300
4.8	3.36	3.93	117.15	54.69	22	3	39.67	30	50	300
4.8	3.36	3.93	117.15	54.69	22	3	39.67	30	50	300
Liabilities – Amortized cost										
10/15/14	10/15/14	11/28/14	03/10/14	12/22/14	04/02/15	04/02/15	04/27/15	06/01/15	12/23/15	9/12/16
Dated										
10/15/24	10/15/24	11/28/24	06/27/26	12/22/26	04/02/25	04/02/25	04/27/27	06/02/25	12/23/30	9/12/26
Yes										
At any time if there is a capital, withholding tax or gross-up event. The issuer may repurchase the subordinated bonds once five years have elapsed since their issue										
N/A										
COUPONS/DIVIDENDS										
Fixed to floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Fixed to floating	Fixed to floating	Fixed	Fixed to floating	Fixed to floating	Fixed
3% then Min 4.5%; Max 3%; CMS 10-year	3% then Min 4.5%; Max 3%; CMS 10-year	2.6% then Min 4%; Max 2.6%; CMS 10-year	4.25%	3.40%	1.9% then Min 3.75%; Max 1.9%; CMS 10-year	1.9% then Min 3.75%; Max 1.8%; CMS 10-year	2.75%	1.35% then Min 3.10%; Max 1.35%; CMS 10-year	4% then EURIBOR 6M 1.78%	2.13%
No										
N/A										
N/A										
No										
N/A										
Non-convertible										
N/A										
N/A										
N/A										
N/A										
N/A										
N/A										
No										
N/A										
N/A										
N/A										
N/A										
Redeemable after repayment of preferred and unsecured creditors.										
No										
N/A										

4

TABLE 6: DETAILED CAPITAL DISCLOSURE – AT 12/31/19

In € thousands		Amountat disclosure date	Reference of Article of EU Regulation No. 575/2013	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to Regulation EU No. 575/2013
COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES				
1	Capital instruments and related issue premium accounts	1,257,770	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Shares	*1,255,020*	*EBA list 26 (3)*	
	of which: Issue premiums	*2,750*	*EBA list 26 (3)*	
2	Retained earnings	1,642,680	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	152,683	26 (1)	
3a	Fund for general banking risks	-	26 (1) f	
4	Amount of eligible items referred to in Art. 484 (3) and related issue premium accounts that will be progressively excluded from CET1	114,490	486 (2)	
5	Non-controlling interests eligible for CET1	-	84, 479, 480	-
5a	Intermediate profits, net of any foreseeable expense and distribution of dividends, subject to independent control	142,989	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,310,612		
COMMON EQUITY TIER 1 CAPITAL (CET1): REGULATORY ADJUSTMENTS				
7	Additional value corrections (negative amount)	-3,558	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	-513,671	36 (1) b, 37, 472 (4)	
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)	-	36 (1) c, 38, 472 (5)	-
11	Fair value reserves related to gains and losses on cash flow hedges	10,647	33 a	
12	Negative amounts resulting from the calculation of expected losses	-31,675	36 (1) d, 40, 159, 472 (6)	
13	Any increase in equity resulting from securitized assets (negative amount)	-	32 (1)	
14	Losses or gains on liabilities measured at fair value that are related to changes in the credit quality of the institution	-	33 (1) b	
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) e, 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) f, 41, 472 (8)	-
17	Direct 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)	-	36 (1) g, 41, 472 (9)	-
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)	-	36 (1) h, 43, 45, 46, 49 (2) (3), 79, 472 (10)	-
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)	-	36 (1) i, 43, 45, 47, 48 (1) b, 49 (1) à (3), 79, 470, 472 (11)	-
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	-	36 (1) k	
20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	*36 (1) k (i), 89 to 91*	
20c	*of which: securitization positions (negative amount)*	-	*36 (1) k (ii), 243 (1) b, 244 (1) b,258*	
20d	of which: free deliveries (negative amount)	-	36 (1) k (iii), 379 (3)	
21	Deferred tax assets 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)	-	36 (1) c, 38, 48 (1) a, 470, 472 (5)	-
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)	-
23	*of which: direct and indirect holdings, by the institution, of CET1 instruments of financial sector entities in which it holds a significant investment*	-	*36 (1) (i), 48 (1) b, 470, 472 (11)*	-
24	*Empty value set in the EU*	-		
25	*of which: deferred tax assets resulting from temporary differences*	-	*36 (1) c, 38, 48 (1) a, 470, 472 (5)*	-
25a	Negative results of the current year (negative amount)	-	36 (1) a, 472 (3)	
25b	Foreseeable tax expenses for CET1 items (negative amount)	-	36 (1) (i)	

In € thousands		Amount at disclosure date	Reference of Article of EU Regulation No. 575/2013	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to EU Regulation No. 575/2013
26	Regulatory adjustments applied to Common Equity Tier 1 capital in respect of amounts subject to pre-CRR treatment	-		
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	-		
	of which: filter for unrealized loss on equity instruments	-	*467*	
	of which: filter for unrealized loss on debt instruments	-	*467*	
	of which: filter for unrealized gain on equity instruments	-	*468*	
	of which: filter for unrealized gain on debt instruments	-	*468*	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	481	
27	Eligible AT1 deductions in excess of the institution's AT1 equity (negative amount)	-	36 (1) (i)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-538,256		
29	Common Equity Tier 1 (CET1) capital	2,772,356		
ADDITIONAL TIER 1 CAPITAL (AT1): INSTRUMENTS				
30	Capital instruments and related issue premium accounts	-	51, 52	
31	*of which: classified as equity under applicable accounting standards*	-		
32	*of which: classified as liabilities under applicable accounting standards*	-		
33	Amount of eligible items referred to in Art. 484 (4) and related issue premium accounts that will be progressively excluded from AT1	45,000	486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including non-controlling interests not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480	-
35	*of which: instruments issued by subsidiaries subject to phase-out*	-	*486 (3)*	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	45,000		
ADDITIONAL TIER 1 CAPITAL (AT1): REGULATORY ADJUSTMENTS				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52(1) b, 56 a, 57, 475 (2)	-
38	Direct 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)	-	56 b, 58, 475 (3)	-
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)	-	56c, 59, 60, 79, 475 (4)	-
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)	-	56 (d), 59, 79, 475 (4)	-
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 Regulation (EU) 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 Art. 472 of Regulation (EU) No. 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
41b	Residual amounts deducted from additional Tier 1 capital for the deduction of Tier 2 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	-	477, 477 (3), 477 (4) a	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481	
42	Eligible T2 deductions in excess of the institution's T2 equity (negative amount)	-	56 e	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-		
44	Additional Tier 1 (AT1) capital	45,000		
45	Tier 1 capital (T1 = CET1+AT1)	2,817,356		

4

In € thousands		Amountat disclosure date	Reference of Article of EU Regulation No. 575/2013	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to Regulation EU No. 575/2013
ADDITIONAL TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS				
46	Capital instruments and related issue premium accounts	759,841	62, 63	
47	Amount of eligible items referred to in Art. 484 (5) and related issue premium accounts that will be progressively excluded from T2	-	486 (4)	
48	Qualifying capital instruments included in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in row 5) issued by subsidiaries and held by third parties	-	87,88, 480	-
49	*of which: instruments issued by subsidiaries subject to phase-out*	-	*486 (4)*	
50	Adjustments for credit risk	56,743	62c and d	
51	**Tier 2 (T2) capital before regulatory adjustments**	**816,584**		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63b (i), 66 a, 67,	-
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)	-	66 b, 68, 477 (3)	-
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)	-	66c, 69, 70, 79, 477 (4)	-
54a	*of which new holdings not subject to transitional arrangements*	-		-
54b	*of which holdings existing before January 1, 2013, and subject to transitional arrangements*	-		-
55	Direct holdings 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)	-151,705	66 d, 69, 79, 477 (4)	
56	Regulatory adjustments applied to Tier 2 capital for amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with Regulation (EU) 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 Art. 472 of Regulation (EU) No. 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
56b	Residual amounts deducted from Tier 2 capital for the deduction of additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013		475, 475 (2) a, 475 (3), 475 (4) a	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
Addition of which subsidies received by leasing companies			*481*	
Addition of which unrealized gains on equity instruments reported as additional capital			*481*	
Addition of which restatement for holding of capital instruments		-	*481*	
57	Total regulatory adjustments to Tier 2 (T2) capital	-151,705		
58	Tier 2 (T2) capital	664,879		
59	Total capital (TC = T1 + T2)	3,482,235		
59a	Assets weighted for the amounts subject to pre-CRR treatment and transitional treatment that will be progressively excluded in accordance with Regulation (EU) No. 575/2013	-		
	of which items not deducted from CET1 (Regulation (EU) No. 575/2013, residual amounts) (items to be itemized line by line, e.g. deferred tax assets dependent on future profits net of associated tax liabilities, indirect holding of CET1, etc.)	-	*472 (8) b*	
	of which items not deducted from AT1 (Regulation (EU) No. 575/2013, residual amounts) (items to be itemized line by line, e.g. cross-holdings of AT1 capital instruments, direct holdings of insignificant investments in the capital of other financial sector entities, etc.)	-	*475, 475 (2) b, 475 (2) c, 475 (4) b*	
	of which items not deducted from T2 (Regulation (EU) No. 575/2013, residual amounts) (items to be itemized line by line, e.g. indirect holdings of T2 capital instruments, indirect holdings of insignificant investments in the capital of other financial sector entities, etc.)		*477, 477 (2) b, 477 (2) c, 477 (4) b*	
60	Total risk-weighted assets	14,919,721		

In € thousands		Amountat disclosure date	Reference of Article of EU Regulation No. 575/2013	Amounts subject to pre-Regulation EU No. 575/2013 treatment or prescribed residual amount pursuant to Regulation EU No. 575/2013
CAPITAL RATIOS AND BUFFERS				
61	Common Equity Tier 1 capital (as a percentage of the total amount of risk exposure)	18.58%	92 (2) a, 465	
62	Tier 1 capital (as a percentage of the total amount of risk exposure)	18.88%	92 (2) b, 465	
63	Total equity (as a percentage of the total amount of risk exposure)	23.34%	92 (2) c	
64	Buffer requirement specific to institution (CET1 requirement in accordance with Article 92 (1) (a)), plus equity conservation and counter-cyclical buffer requirements, plus systemic risk buffer, plus institutional buffer of systemic importance, expressed as a percentage of the amount of risk exposure	2.68%	CRD 128, 129, 130	
65	*of which: capital conservation buffer requirement*	*2.50%*		
66	*of which: counter-cyclical buffer requirement*	*0.18%*		
67	*of which: systemic risk buffer requirement*	*0.00%*		
67a	*of which: buffer for Global Systemically Important Financial Institutions (G-SIFI) or Other Systemically Important Institutions (O-SII)*	*0.00%*	*CRD 131*	
68	Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of the amount of exposure to risk)	14.08%	CRD 128	
69	*[non-relevant in EU regulations]*			
70	*[non-relevant in EU regulations]*			
71	*[non-relevant in EU regulations]*			
AMOUNTS BELOW THRESHOLDS FOR DEDUCTION (BEFORE RISK 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)	21,970	36 (1) h, 45, 46, 472 (10), 56c, 59, 60, 475 (4), 66c, 69, 70, 477 (4)	
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)	191,427	36 (1) (i), 45, 48, 470, 472 (11)	
74	*Empty value set in the EU*			
75	Deferred tax assets resulting from temporary differences (amount below the 10% threshold, net of associated tax liabilities if the conditions of Article 38 (3) are met)	38,723	36 (1) c, 38, 48, 470, 472 (5)	
APPLICABLE CAPS ON THE 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)	55,074	62	
77	Upper limit for inclusion of adjustments for credit risk in T2 using the standard approach	59,687	62	
78	Adjustments for credit risk included in T2 for exposures that fall under the internal ratings approach (before the upper limit is applied)	286	62	
79	Upper limit for inclusion of adjustments for credit risk in T2 using the internal ratings approach	18,414	62	
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN JANUARY 1, 2014 AND JANUARY 1, 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	224,329	484 (3), 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) and (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	45,000	484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to the upper limit (amount in excess of the upper limit after repayment and installments)	-105,000	484 (4), 486 (3) and (5)	
84	Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) and (5)	

4.3.4.2 Capital requirements

TABLE 7: OVERVIEW OF THE RISK-WEIGHTED ASSETS (RWA) – (OV1) – AT 12/31/19

		Risk-weighted assets		Minimum capital requirements
In € thousands		12/31/19	12/31/18	12/31/19
1	**Credit risk (excluding counterparty risk – CCR)**	**13,013,232**	**13,270,853**	**1,041,059**
2	of which standardized approach	4,650,001	4,421,640	372,000
3	of which foundation IRB (FIRB) approach	401,456	363,383	32,117
4	o/w advanced Internal ratings-based approach	3,062,157	3,325,515	244,973
5	of which equities under the IRB approach	4,899,618	5,160,315	391,969
6	**Counterparty risk**	**96,794**	**124,006**	**7,744**
7	of which market value	35,004	51,696	2,800
8	of which initial exposure			
9	of which standardized approach applied to counterparty risk (SA – CCR)			
10	of which internal model method (IMM)			
11	o/w amount of risk exposure for contributions to the default fund of an SPC			
12	of which CVA	61,790	72,311	4,943
13	**Settlement risk**			
14	Securitization exposures in the banking book			
15	of which foundation IRB (FIRB) approach			
16	of which Supervisory Formula Method			
17	of which internal assessment approach			
18	of which standardized approach			
19	**Market risk**	**-**	**82,052**	**-**
20	of which standardized approach	-	82,052	-
21	of which approaches based on the internal model method (IMM)			
22	Major risks			
23	**Operational risk**	**1,240,078**	**1,362,066**	**99,206**
24	*of which Basic Indicator Approach*	*19,496*	*20,509*	*1,560*
25	*of which Standardized Approach*	*423,201*	*435,440*	*33,856*
26	*of which Advanced Measurement Approach*	*797,380*	*906,116*	*63,790*
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**569,618**	**545,203**	**45,569**
28	Floor adjustment	-	-	-
29	**TOTAL**	**14,919,721**	**15,384,180**	**1,193,578**

4.3.5 Prudential indicators

4.3.5.1 Solvency ratios

The Crédit Mutuel Nord Europe Group's solvency ratios at December 31, 2019, after the integration of income net of the estimated dividend pay-out, totaled:

TABLE 8: SOLVENCY RATIOS

In € millions	12/31/19	12/31/18
Common Equity Tier 1 (CET1) capital	2,772	2,438
Additional Tier 1 (AT1) capital	45	60
Tier 2 capital	665	658
TOTAL CAPITAL	**3,482**	**3,156**
Risk-weighted assets in respect of credit risk	13,618	13,868
Risk-weighted assets in respect of market risk	62	154
Risk-weighted assets in respect of operational risk	1,240	1,362
TOTAL RISK-WEIGHTED ASSETS	**14,920**	**15,384**
CET 1 ratio	18.58%	15.85%
T1 ratio	18.88%	16.24%
SOLVENCY RATIO	**23.34%**	**20.52%**

In the framework of the CRR, the total capital requirement is maintained at 8% of risk-weighted assets (RWA). CFCMNE complies, on a sub-consolidated basis, with the Common Equity Tier 1 (CET1) ratio of 9.75%, as required by the ECB.

4.3.5.2 Counter-cyclical capital buffer

TABLE 9: COUNTER-CYCLICAL BUFFER AMOUNT APPLIED TO THE BANK – AT 12/31/19

In € millions	12/31/19
Total risk-weighted assets	14,920
Counter-cyclical buffer amount applied to the bank	0.00176527
Counter-cyclical buffer requirements applicable to the bank	26.34

TABLE 10: GEOGRAPHICAL BREAKDOWN OF RELEVANT CREDIT EXPOSURES FOR CALCULATING THE COUNTER-CYCLICAL CAPITAL BUFFER – AT 12/31/19

	General credit exposures		Trading book exposures		Securitization portfolio exposures		Capital requirements					
Countries for which a capital buffer in excess of 0% has been recognized by the financial stability authority (Haut Conseil de stabilité financière – HCSF)	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	Sum of the long and short positions in the trading book	Value of the trading book's exposures for the internal models	Amount exposed to risk using standard approach	Amount exposed to risk using IR approach	o/w general credit exposures	o/w trading book exposures	o/w securitization exposures	Total	Capital requirement weightings	Counter-cyclical capital buffer rate
Bulgaria	0.15	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.01	0.001%	0.50%
Czech Republic	0.03	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.50%
Denmark	0.03	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.00%
France	739.73	14,631.52	0.00	0.00	0.00	0.00	715.54	0.00	0.00	715.54	69.871%	0.25%
United Kingdom	22.56	6.19	0.00	0.00	0.00	0.00	1.77	0.00	0.00	1.77	0.173%	1.00%
Hong Kong	0.77	0.01	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.03	0.003%	2.00%
Ireland	0.19	5.12	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.06	0.006%	1.00%
Iceland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.75%
Norway	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	2.50%
Sweden	0.07	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	2.50%
Slovakia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000%	1.50%
TOTAL EXPOSURES AND CAPITAL REQUIREMENTS	**6,626**	**14,800**	**0**	**0**	**0**	**0**	**1,024**	**0**	**0**	**1,024**		

In the framework of the CRR, the total capital requirement is maintained at 8% of risk-weighted assets (RWA). In addition to the minimum CET1 capital requirement, the Crédit Mutuel Group has been required to comply progressively, as from January 1, 2016, with additional capital requirements that are no longer subject to transitional measures (the target rates have therefore been applied since January 1, 2019) and result in:

- a conservation buffer mandatory for all institutions of 2.5% of risk-weighted assets in 2019;
- an Other Systemically Important Institution (O-SII) buffer related to the Group's designation as an institution deemed to be at systemic risk on a national scale. This applies only at national consolidated level. Set by the Secretary General of the ACPR in the range of 0% to 2%, it aims to reduce the risk of bankruptcy for major institutions by increasing their capital adequacy requirements. For the Crédit Mutuel Group, its level was 0.5% in 2019;
- a counter-cyclical capital cushion specific to each institution (capped at 0.625% in 2016). The counter-cyclical buffer, established in case of excessive credit growth (particularly a variance in 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 buffer rate is set by the French Financial Stability Board (Haut Conseil de stabilité financière). In principle, it ranges between 0 and 2.5% (or higher in certain circumstances). It was set at 0.25% for France on July 1, 2019 by the HCSF. The mandatory counter-cyclical capital buffer ratios recognized in the other European States is capped at 2.5%. Any ratios above that must be explicitly recognized by the French Financial Stability Board. The counter-cyclical buffer specific to the Crédit Mutuel Group is calculated as the weighted average of the counter-cyclical buffers applied in the countries that correspond to the Group's main credit exposures.

4.3.5.3 Complementary surveillance of financial conglomerates

The CMNE Group owns 10.22% of GACM, which is accounted for by the equity method.

An information exchange process has been introduced involving Crédit Mutuel Alliance Fédérale's risk control entities and the CMNE Group. The aim is to enable the CMNE Group to have all of the information it needs to assess the consistency and coordination of the structures and the control and management processes and policies.

As an exemption to Articles 36 and 43 of the CRR and in accordance with the provisions of Article 49 of that regulation, the SGACPR has authorized the Crédit Mutuel Group not to deduct holdings in the capital instruments of insurance sector entities from its Common Equity Tier capital and to adopt the so-called "weighted equity accounted value" method, which consists in weighting instruments held in the Group's insurance subsidiaries on the denominator of the capital ratio.

In accordance with the decree of November 3, 2014, the CMNE Group is subject to capital adequacy supervision.

This supplementary supervision has three parts:

- calculating the extra requirement in terms of capital adequacy;
- tracking the concentration of risks by recipient;
- The control of the concentration of risks by sector.

The first part relating to the calculation of the supplementary capital adequacy requirement makes it possible to perform an annual check on coverage of solvency requirements relating to the CMNE Group by the regulatory capital, including regulatory adjustments and transitional provisions in the CRR.

The second part relating to control of the concentration of risks by sector makes it possible to report information for the banking sector and for the insurance sector:

- total assets held in equities;
- total assets held in property investments;
- investments and subordinated debt held in credit institutions and financial institutions.

The final part relating to control of the concentration of risks by beneficiary on a consolidated basis consists in reporting gross risks (aggregate exposure to a single beneficiary) exceeding 10% of the consolidated shareholders' equity or €300 million. A distinction is drawn between the banking and insurance sectors for each beneficiary.

TABLE 11 – NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS – (INS1) AT 12/31/19

In € millions	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	960
TOTAL RWAS	**3,552**

4.3.5.4 Leverage ratio

The procedures to manage the risk of excessive leverage have been validated by CNCM's Board of Directors and center on the following points:

- the leverage ratio is one of the key solvency indicators and leverage ratio monitoring is incorporated into the Confederal and Regional Groups' Risk Committee files;
- an internal limit has been set at the national level and for each Crédit Mutuel Group;
- a special procedure has been established for any breaches of the limit set by the supervisory body. This procedure involves the Executive Management of the group concerned as well as the Boards of Directors of the Group and CNCM and it applies to all Crédit Mutuel groups.

TABLE 12: LEVERAGE RATIO COMMON DISCLOSURE – (LRCOM) – AT 12/31/19

In € millions		Exposures at 12/31/19
BALANCE SHEET (EXCLUDING DERIVATIVES AND SECURITIES FINANCING TRANSACTIONS)		
1	Balance sheet items (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	26,805
2	(Assets deducted to determine Tier 1)	-32
3	Total balance sheet exposure (excluding derivatives, securities financing transactions and fiduciary assets) – sum of lines 1 and 2	26,774
DERIVATIVES		
4	Replacement cost for all derivatives (i.e. net of eligible margin calls received)	5
5	Add-on for future potential exposures associated with derivatives (mark-to-market method)	91
EU-5a	Exposures determined in accordance with the initial exposure method	
6	Adding back of guarantees given on derivatives deducted from assets in the balance sheet under the applicable accounting standards	
7	(Deductions of margin calls in cash paid under derivatives transactions)	-115
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures – sum of lines 4 to 10	-18
SECURITIES FINANCING TRANSACTION EXPOSURES		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	5
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of the CRR	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures – sum of lines 12 to 15a	5
OTHER OFF-BALANCE SHEET EXPOSURES		
17	Off-balance sheet exposures at gross notional amounts	3,007
18	(Adjustments to credit risk equivalent amounts)	-1,593
19	Other off-balance sheet exposures – sum of lines 17 and 18	1,414
EXEMPT EXPOSURES UNDER ARTICLES 429.7 AND 429.14 OF THE CRR (ON AND OFF-BALANCE SHEET)		
EU-19a	(Exemption of intra-group exposures [individual basis] per Article 429.7 of the CRR [on and off-balance sheet])	
EU-19b	(Exempt exposures under Article 429.14 of the CRR [on and off-balance sheet])	-2,098
EQUITY AND TOTAL EXPOSURE		
20	Tier 1	2,817
21	Total exposures – sum of lines 3, 11, 16, 19, EU-19a and EU-19b	26,077
LEVERAGE RATIO		
22	Leverage ratio	10.80%
TRANSITIONAL ARRANGEMENTS CHOSEN AND AMOUNTS OF DE-RECOGNIZED FIDUCIARY ITEMS		
EU-23	Choice of transitional arrangements for defining capital measurement	YES

4.3.6 Capital adequacy

TABLE 13: SUMMARY OF THE RECONCILIATION OF THE ASSETS AS PER THE CONSOLIDATED FINANCIAL STATEMENTS AND THE EXPOSURES FOR THE PURPOSES OF THE LEVERAGE RATIO – LRSUM – AT 12/31/19

In € millions		Exposures at 12/31/19
1	**Consolidated assets as published in the financial statements**	**28,173**
2	Adjustments for entities in the accounting consolidation but outside the regulatory consolidation	-499
4	Adjustments on derivatives	-185
5	Adjustments on securities financing transactions (SFTs)	
6	Adjustments on off-balance sheet items (conversion of off-balance sheet items to credit equivalents)	1,414
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	-2,098
7	Other adjustments	-728
8	**TOTAL LEVERAGE RATIO EXPOSURE**	**26,077**

TABLE 14: BREAKDOWN OF BALANCE SHEET EXPOSURES (EXCEPT DERIVATIVES, SFTS AND EXEMPTED EXPOSURES) – (LRSPL) – AT 12/31/19

In € millions		Exposures at 12/31/19
EU-1	**TOTAL BALANCE SHEET EXPOSURES*, OF WHICH:**	**24,593**
EU-2	**Trading book exposures**	**34**
EU-3	**Banking book exposures, of which:**	**24,559**
EU-4	Guaranteed bonds	9
EU-5	Exposures treated as sovereign exposures	2,085
EU-6	Exposures on regional governments, multilateral development banks, international organizations and public-sector entities not treated as sovereign exposures	16
EU-7	Credit institutions	2,460
EU-8	Exposures secured by a mortgage on immovable property	9,185
EU-9	Retail exposures	6,294
EU-10	Corporate exposures	1,555
EU-11	Exposures in default	429
EU-12	Other exposures (equities, securitizations and other assets not related to credit exposures)	2,524

* *Excluding derivatives, securities financing transactions and exempted exposures.*

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and apply stress scenarios to assess their capital requirements in the event of an economic downturn. This pillar structures the dialog between the Bank and the Supervisor concerning the level of capital adequacy retained by the institution.

The work carried out by the Crédit Mutuel Group to bring it into compliance with Pillar 2 ties in with improvements to the credit risk measurement and monitoring system. In 2008, the Crédit Mutuel Group rolled out its internal capital assessment framework as part of the Internal Capital Adequacy Assessment Process (ICAAP). This assessment process has since been expanded and is now formalized in a national general framework, which was approved by CNCM's Board of Directors at its meeting on March 2, 2016. This framework is an extension of the general risk appetite framework and applies to all levels of the Crédit Mutuel Group.

The ICAAP process is fully integrated into the risk governance framework. There are three stages to the implementation process:

- the identification of the significant risks incurred by the bank and the associated procedures, in close collaboration with risk management and with the aid of an overall Group risk mapping updated each year;
- 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.

The methods for measuring economic requirements have been further strengthened, while management and control procedures have been drawn up, also with a view to defining a framework for the Crédit Mutuel Group's risk policy and overall stress program, based on a holistic and forward-looking approach.

The difference between the economic capital and the regulatory capital constitutes the margin making it possible to secure the Bank's level of capital. This margin depends on the Crédit Mutuel Group's risk profile (having regard to its current and future activities) and its degree of risk aversion.

The results of the ICAAP, which are regularly presented to the governing bodies of the Crédit Mutuel Group and of CMNE, enable CMNE to certify that it has an adequate level of capital to cover its risk exposure in accordance with its solvency appetite.

4.3.7 Credit risk

General qualitative information on credit risk enabling the requirements of the CRA template to be met.

4.3.7.1 Exposures

The Crédit Mutuel Group has focused on the advanced forms of the Basel accord, beginning with its core business, retail banking. The ACPR has authorized Crédit Mutuel to use its internal ratings system to calculate its regulatory capital adequacy requirements in respect of credit risk:

- using the advanced method, as from June 30, 2008, for the retail customer portfolio;
- using the foundation method, as from December 31, 2008, for the bank portfolio;
- using the advanced method, as from December 31, 2012, for the corporate and bank portfolio.

In connection with the TRIM (Targeted Review of Internal Models), the European Central Bank confirmed the authorization given to the Crédit Mutuel Group for the home loan and retail customer portfolio in 2018 and the retail customer corporate and non-trading company portfolio in 2019.

The CMNE Group was authorized to use the advanced internal ratings-based approach in respect of nearly 68% of its exposures at December 31, 2019. The foundation method is not used.

As part of the roll-out plan, the projects of using the advanced method throughout the factoring subsidiaries of the Crédit Mutuel Group in France, Cofidis France, Targobank AG (including TCF) and BEOBANK are underway. BEOBANK, the CMNE Group's Belgian subsidiary, accounts for 27% of exposures.

CHART 1 – SHARE OF GROSS EXPOSURES AT 12/31/18

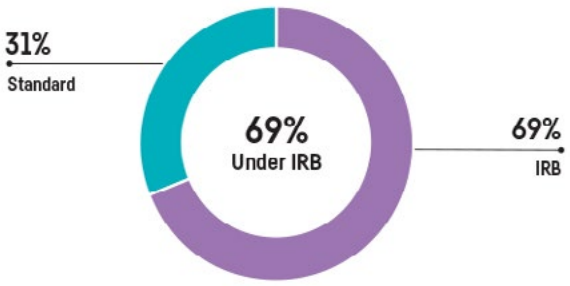


CHART 2 – SHARE OF GROSS EXPOSURES AT 12/31/19

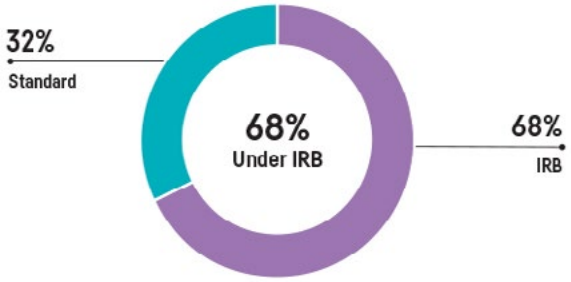


TABLE 15: NET EXPOSURES (GROSS EXPOSURES – PROVISION)

	12/31/19			12/31/18		
In € millions	IRB	Standard	TOTAL	IRB	Standard	TOTAL
Governments and central banks	-	4,184	4,184	-	3,729	3,729
Credit institutions	1,959	570	2,529	2,816	750	3,566
Corporates	1,975	342	2,317	1,908	418	2,326
Retail customers	11,841	6,266	18,107	11,387	5,694	17,082
Equities	1,522	158	1,680	1,577	152	1,729
Securitization	-	-	-	-	-	-
Other non-credit obligation assets	401	443	844	363	363	726
TOTAL – ON AND OFF-BALANCE SHEET	**17,698**	**11,963**	**29,661**	**18,052**	**11,106**	**29,158**
Derivatives	18	79	96	24	94	118
Resale agreements	-	-	-	267	-	267
GRAND TOTAL	**17,716**	**12,042**	**29,758**	**18,343**	**11,200**	**29,544**

Net on-balance sheet and off-balance sheet exposures rose by €503 million in one year. This increase was driven by Retail customers and by Governments and central banks. Conversely, the Equities, Corporates and Credit Institutions categories decreased. Other assets increased following the first-time adoption of IFRS 16.

TABLE 16: TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES – (CRB-B) – AT 12/31/19

In € millions		Governments and central banks	Average exposure over the year
1	Governments and central banks	-	-
2	Credit institutions	1,959	2,361
3	Corporates	1,975	1,962
4	*of which: specialized financing*	-	-
5	*of which: SMEs*	*979*	*912*
6	Retail customers	11,841	11,711
7	• Exposures secured by a mortgage on immovable property	6,625	6,572
8	• SMEs	674	669
9	• Non-SMEs	5,951	5,903
10	• Revolving	1,217	1,210
11	• Other – retail clients	3,998	3,930
12	• SMEs	1,805	1,792
13	• Non-SMEs	2,193	2,137
14	Equities	1,522	1,506
14a	Other assets	401	393
15	**TOTAL IRB APPROACH**	**17,698**	**17,933**
16	Governments and central banks	1,653	1,793
17	Regional governments or local authorities	222	223
18	Public sector (public bodies excluding central governments)	2,326	2,258
19	Multilateral development banks	-	-
20	International organizations	-	-
21	Credit institutions	553	630
22	Corporates	91	104
23	*of which: SMEs*	*67*	*71*
24	Retail customers	3,500	3,454
25	*of which: SMEs*	*393*	*375*
26	Exposures secured by a mortgage on immovable property	2,731	2,509
27	*of which: SMEs*	*510*	*503*
28	Exposures in default	287	296
29	Exposures associated with particularly high risk	-	-
30	Covered bonds	-	-
31	Exposures to institutions and corporates with a short-term credit assessment	-	-
32	Exposures in the form of UCIT shares or equities	54	69
33	Exposures to equities	104	116
34	Other assets	443	399
35	**Total standardized approach**	**11,963**	**11,851**
36	**TOTAL**	**29,661**	**29,783**

Historically, CMNE has focused on developing a customer base of private individuals. The composition of its portfolio well reflects this fundamental principle, with retail customers representing 61% at December 31, 2019 (+2 points compared to December 31, 2018). 52% of retail customer outstanding loans are secured by a mortgage, which is evidence that CMNE is applying a risk reduction policy on origination. The Belgian subsidiary BEOBANK accounts for the majority of the outstandings under the standardized approach.

4.3.7.2 Geographical breakdown of exposures

The Crédit Mutuel Nord Europe Group is primarily a French and European player, in line with its geographic location. The geographic breakdown of gross exposures at Tuesday, December 31, 2019, reflects this as 96% of its commitments were in France and Belgium, and 99% were in Europe.

The geographical area is understood to mean the area in which the borrower is resident. As regards its commercial activities, CMNE favors the financing of domestic assets, even if the borrower is resident in another country.

TABLE 17: GEOGRAPHICAL BREAKDOWN OF EXPOSURES – (CRB-C) – AT 12/31/19

	In € millions	Europe	France	Germany	Belgium	Spain	Luxem-bourg	Nether-lands	Switzer-land	United Kingdom	Other	Rest of the world	USA	Canada	Other	Total
1	Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Credit institutions	1,725	1,077	-	64	-	75	208	10	143	147	235	149	41	44	1,959
3	Corporates	1,973	1,859	46	60	-	-	-	-	-	8	2	2	-	-	1,975
4	Retail customers	11,831	11,788	1	31	1	1	0	3	6	2	9	2	1	6	11,841
5	Equities	1,518	1,518	-	-	-	0	-	-	-	-	3	3	-	-	1,522
5a	Other assets	401	401	-	-	-	-	-	-	-	-	-	-	-	-	401
6	**TOTAL IRB APPROACH**	**17,449**	**16,644**	**47**	**155**	**1**	**76**	**208**	**13**	**150**	**157**	**249**	**156**	**42**	**51**	**17,698**
7	Governments and central banks	1,602	1,068	0	534	-	-	-	-	0	-	50	0	50	-	1,653
8	Regional governments or local authorities	144	16	-	128	-	-	-	-	-	-	77	-	77	-	222
9	Public sector (public bodies excluding central governments)	2,326	2,325	-	1	-	-	-	-	-	-	-	-	-	-	2,326
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-	-	-	-	-	0	-	-	0	0
12	Institutions (bank)	528	333	19	79	-	1	50	-	4	42	25	1	24	-	553
13	Corporates	91	11	-	80	-	-	-	-	-	-	-	-	-	-	91
14	Retail customers	3,494	24	1	3,454	2	8	1	0	1	2	6	1	0	5	3,500
15	Exposures secured by a mortgage on immovable property	2,726	295	1	2,420	0	5	1	0	2	0	5	0	-	4	2,731
16	Exposures in default	286	20	0	262	1	1	0	0	1	1	1	0	0	1	287
17	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Exposures in the form of UCIT shares or equities	54	34	-	20	-	0	-	-	0	-	-	-	-	-	54
21	Exposures to equities	104	98	0	6	-	-	-	-	-	-	-	-	-	-	104
22	Other assets	442	270	5	142	0	5	-	-	19	-	1	1	-	-	443
23	**TOTAL STANDARDIZED APPROACH**	**11,798**	**4,495**	**26**	**7,127**	**3**	**21**	**53**	**0**	**27**	**45**	**165**	**3**	**152**	**10**	**11,963**
24	**TOTAL**	**29,247**	**21,139**	**74**	**7,282**	**4**	**96**	**261**	**13**	**177**	**201**	**414**	**159**	**194**	**61**	**29,661**

4.3.7.3 Exposures by industry or counterparty type

The CMNE Group has historically had good sector diversity in its exposures. Such great diversity enables it to reduce the risk of concentration that might exist with heavy exposure to one sector. Three sectors account for 72% of exposures: individuals (49%), public administration (14%) and banks and financial institutions (9%). 24 other business sectors represent in total 20% of outstandings, but none alone represents more than 5% of outstandings.

TABLE 18 – CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPE – (RCB-D) – 12/31/19

	a	b	c	d	e	f	g	h	i	j	k	l	m	n
In € millions	Governments	Banks and financial institutions	Individuals	Sole traders	Farmers	Non-profit	Other Group subsidiaries	Travel and leisure	Chemicals	Retail	Automotive	Building and construction materials	Industrial goods and services	Healthcare
1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Credit institutions	-	1,959	-	-	-	-	-	-	-	-	-	-	-	-
3 Corporates	-	-	-	1	118	50	23	47	2	155	27	85	129	61
4 Retail customers	-	-	9,090	635	914	42	-	38	2	98	25	105	66	43
5 Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 TOTAL IRB APPROACH	**-**	**1,959**	**9,090**	**637**	**1,032**	**92**	**23**	**85**	**4**	**254**	**52**	**190**	**195**	**105**
7 Governments and central banks	1,653	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Regional governments or local authorities	222	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Public sector (public bodies excluding central governments)	2,326	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 International organizations	0	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Institutions (bank)	-	553	-	-	-	-	-	-	-	-	-	-	-	-
13 Corporates	-	-	-	7	-	2	13	13	2	7	-	4	3	-
14 Retail customers	-	-	3,094	121	2	4	-	29	0	61	10	26	31	13
15 Exposures secured by a mortgage on immovable property	-	-	2,155	178	7	3	-	16	1	18	4	14	15	20
16 Exposures in default	0	-	221	30	0	0	-	5	-	3	0	1	1	1
17 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19 Exposures from institutions and companies given a short-term credit evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20 Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21 Exposures to equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22 Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23 TOTAL STANDARDIZED APPROACH	**4,201**	**553**	**5,471**	**336**	**9**	**10**	**13**	**63**	**3**	**89**	**14**	**46**	**50**	**34**
24 TOTAL	**4,201**	**2,512**	**14,561**	**973**	**1,042**	**102**	**36**	**148**	**7**	**343**	**66**	**236**	**246**	**139**

The CMNE Group's business is geared mainly towards retail customers.

o	p	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad
Other financial sector	Industrial trans-portation	House-hold goods	Real estate develop-ment	Other real estate (including leasing and land)	Utilities	Agri-food and drink	Media	Holding companies, conglo-merates	Cutting-edge techno-logies	Oil & Gas Commo-dities	Tele-commu-nications	Miscel-laneous	Equities	Other assets	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,959
141	195	23	13	269	29	173	13	62	27	3	0	326	-	-	1,975
58	127	4	-	31	9	10	3	32	3	4	0	501	-	-	11,841
-	-	-	-	-	-	-	-	-	-	-	-	-	1,522	-	1,522
-	-	-	-	-	-	-	-	-	-	-	-	-	-	401	401
200	**322**	**26**	**13**	**300**	**38**	**183**	**17**	**94**	**30**	**7**	**0**	**826**	**1,522**	**401**	**17,698**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,653
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,326
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	553
5	6	0	1	24	-	1	-	-	-	-	-	2	-	-	91
21	9	4	-	38	1	4	2	12	3	0	0	13	-	-	3,500
16	7	4	7	73	0	4	1	19	4	1	-	162	-	-	2,731
1	0	1	-	7	-	1	0	1	0	0	-	12	-	-	287
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	54	-	54
-	-	-	-	-	-	-	-	-	-	-	-	-	104	-	104
-	-	-	-	-	-	-	-	-	-	-	-	-	-	443	443
43	**22**	**9**	**8**	**143**	**1**	**10**	**3**	**32**	**8**	**2**	**0**	**189**	**158**	**443**	**11,963**
243	**344**	**35**	**22**	**443**	**39**	**193**	**20**	**127**	**38**	**9**	**0**	**1,016**	**1,680**	**844**	**29,661**

4

4.3.7.4 Maturity of exposures

TABLE 19: MATURITY OF EXPOSURES – (CRB-E) – AT 12/31/19

		a	b	c	d	e	f
In € millions		Net exposures on demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Governments and central banks	-	-	-	-	-	-
2	Credit institutions	190	424	932	344	69	1,959
3	Corporates	354	296	896	368	61	1,975
4	Retail customers	1,108	1,339	4,250	5,122	22	11,841
5	Equities	3	-	332	-	1,187	1,522
5a	Other assets	20	26	-	32	323	401
6	**TOTAL IRB APPROACH**	**1,676**	**2,085**	**6,410**	**5,866**	**1,662**	**17,698**
7	Governments and central banks	1,051	135	252	124	91	1,653
8	Regional governments or local authorities	-	18	164	40	-	222
9	Public sector (public bodies excluding central governments)	212	63	148	1,903	-	2,326
10	Multilateral development banks	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-
12	Credit institutions	122	182	152	-	96	553
13	Corporates	9	7	42	37	-4	91
14	Retail customers	475	456	1,229	392	947	3,500
15	Exposures secured by a mortgage on immovable property	43	168	726	1,818	-24	2,731
16	Exposures in default	219	5	34	27	2	287
17	Exposures associated with particularly high risk	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-
19	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Exposures in the form of UCIT shares or equities	-	-	-	-	54	54
21	Exposures to equities	-	-	-	-	104	104
22	Other assets	2	125	-	15	300	443
23	**TOTAL STANDARDIZED APPROACH**	**2,133**	**1,159**	**2,747**	**4,357**	**1,567**	**11,963**
24	**TOTAL**	**3,809**	**3,244**	**9,156**	**10,222**	**3,229**	**29,661**

4.3.7.5 Credit quality of assets

CRB-A – Additional disclosure related to the credit quality of assets

Impaired and past-due exposures

A unified definition of default has been introduced for the entire Crédit Mutuel Group. Based on an alignment of prudential rules to accounting regulations (CRC 2002-03), this definition draws a correlation between the Basel concept of default and the accounting notion 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, the Crédit Mutuel Group has applied the new definition of prudential default for entities using the IRB method in accordance with the EBA guidelines and the technical regulatory standards on the concepts of applicable materiality thresholds.

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

- the analysis of the default is carried out at the level of the borrower and no longer at the level of the contract;
- the number of days unpaid or overdue is assessed at the level of one borrower (obligor) or a group of borrowers (joint obligor) with a common commitment;
- default is triggered when 90 consecutive days of payments not made or overdue are noted at the level of a borrower/borrower group. The counting of the number of days is started when the absolute (€100 Retail, €500 Corporate) and relative (more than 1% of balance sheet commitments overdue) materiality thresholds are exceeded at the same time. The meter is reset as soon as one of the two thresholds is lowered;
- the scope of default contagion extends to the totality of the borrower's claims, and to the individual commitments of borrowers participating in a joint credit obligation;
- the minimum probationary period is three months before return to sound status for non-restructured assets.

The Crédit Mutuel Group has chosen to deploy the new definition of default according to the two-step approach proposed by the EBA:

- Step 1 – It consists of submitting a self-assessment and a request for authorization to the supervisor. The deployment agreement was obtained by the Group in October 2019;
- Step 2 – It consists in implementing the new default definition in the systems, then recalibrating the models after a 12-month observation period of the new defaults.

The Group believes that the new definition of default as required by the EBA is representative of objective evidence of impairment in the accounting sense. The Group has thus aligned the definitions of accounting default (Status 3) and prudential default.

Pending a transition in 2021, BEOBANK, currently in standard method, remains on a contract view, in which default is triggered on the ninetieth day if the materiality threshold is exceeded (€1 for loans and €150 for current accounts).

Figures as of December 31, 2019 for arrears in payments are provided in the "Risk Management" section of the annual report on page 57.

Impairment provisions for credit risk

Application of IFRS 9 is mandatory as of January 1, 2018. It replaces IAS 39 "Financial Instruments: Recognition and Measurement". It defines new rules for:

- classification and measurement of financial instruments (phase 1);
- the 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 is not applying the transitional provisions of IFRS 9 (as the capital, capital ratios and leverage ratios already reflect the full impact of IFRS 9).

Pursuant to IFRS 9, the Crédit Mutuel Group divides into three categories all of its debt instruments measured at amortized cost or at fair value through equity:

- status 1: provisioned on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition;
- status 2: loss allowance provided for on the basis of the lifetime expected credit losses (resulting from the default risks over the entire residual life of the instrument) if the credit risk has increased significantly since initial recognition;
- 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 scope of outstandings previously impaired individually under IAS 39.

Consequently, and in accordance with the EBA's position, all of the Group's impairment provisions for credit risk correspond to specific impairment provisions.

Definition of the boundary between Statuses 1 and 2

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

- Low Default Portfolios (LDP);
- 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 default risk on the financial instrument on the reporting date with the default risk on the initial recognition date.

For the Group, this translates into risk measurement for the borrower. Since the Crédit Mutuel Group's counterparty rating system is common to the entire Group, the Group's counterparties eligible for internal approaches are rated by the system. This system is based on:

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

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 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).

Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date. Thus, the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

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

Qualitative criteria

As well as the above quantitative data, the Group uses qualitative criteria such as payments not made or overdue by more than 30 days or the concept of restructured loans.

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

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan, discounted at the contract rate, by its probability of default (PD) and by the loss given default (LGD) rate. The off-statement of financial position exposure is converted to an on-statement of financial position equivalent based on the probability of a drawdown. The one-year probability of default is used for status 1 and the probability curve at termination (one to ten years) for status 2.

Forward-looking aspect

To calculate expected credit losses, the standard requires that reasonable and justifiable information, including forward-looking information, be taken into account. 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 and pessimistic), which will be weighted based on the Group's view of changes in the economic cycle over five years (validated by the Chief Executive Officers of the various regional groups and of the Crédit Mutuel Group). The Group relies mainly on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) supplied by the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

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

The forward-looking aspect for maturities other than one year is derived in particular from the forward-looking aspect for the one-year maturity.

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

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

Status 3 – Non-performing loans

Under status 3, impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at each reporting date. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

TABLE 20 – BREAKDOWN OF OUTSTANDINGS AND IMPAIRMENT PROVISIONS BY STATUS – AT 12/31/19

IFRS consolidation data

ON-BALANCE SHEET

In € millions	Provisionable outstandings	Impairment provisions
Status 1	21,696	-50
Status 2	1,001	-42
Status 3	926	-500

OFF-BALANCE SHEET

In € millions	Provisionable outstandings before CCF	Provisions
Status 1	3,776	-2
Status 2	58	-1
Status 3	10	-2

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 absent the difficulties. The Group has the means in its IT systems to identify restructured exposures in its performing and non-performing portfolios, which are defined using the principles set out by the EBA on October 23, 2013. Restructuring does not automatically result in a transfer to non-performing (status 3) but does result, as a minimum, in a transfer to status 2.

Performing exposures and exposures in default

The following tables provide a breakdown of outstanding non-performing loans and loans in litigation and the related provisions at December 31, 2019 according to their industry or counterparty type, their Basel treatment method and their geographic area.

TABLE 21: CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT – (CR1-A) – AT 12/31/19

		a	b		c	g
		Gross exposures				Net exposures
	In € millions	Performing exposures	Exposures in default	Provisions	Specific provisions	(a+b-c-d)
1	Governments and central banks	-	-	-	-	-
2	Credit institutions	1,960	-	0	0	1,960
3	Corporates	1,941	58	24	24	1,975
4	*of which: specialized financing*	-	-	-	-	-
5	*of which: SMEs*	*970*	*21*	*12*	*12*	*979*
6	Retail customers	11,759	241	160	160	11,840
7	• Exposures secured by a mortgage on immovable property	6,571	107	53	53	6,625
8	• SMEs	669	15	10	10	674
9	• Non-SMEs	5,902	91	43	43	5,951
10	• Revolving	1,216	13	11	11	1,217
11	• Other – retail clients	3,972	121	95	95	3,998
12	• SMEs	1,792	51	38	38	1,805
13	• Non-SMEs	2,180	70	57	57	2,193
14	Equities	1,522	-	-	-	1,522
14a	Other assets	401	-	-	-	401
15	**TOTAL IRB APPROACH**	**17,583**	**299**	**184**	**184**	**17,698**
16	Governments and central banks	1,653	-	0	0	1,653
17	Regional governments or local authorities	222	-	0	0	222
18	Public sector (public bodies excluding central governments)	2,326	-	0	0	2,326
19	Multilateral development banks	-	-	-	-	-
20	International organizations	0	-	-	-	0
21	Credit institutions	553	-	-	-	553
22	Corporates	94	-	2	2	91
23	*of which: SMEs*	*69*	-	*2*	*2*	*67*
24	Retail customers	3,539	-	39	39	3,500
25	*of which: SMEs*	*400*	-	*7*	*7*	*393*
26	Exposures secured by a mortgage on immovable property	2,744	-	13	13	2,731
27	*of which: SMEs*	*515*	-	*6*	*6*	*510*
28	Exposures in default	-	644	357	357	287
29	Exposures associated with particularly high risk	-	-	-	-	-
30	Covered bonds	-	-	-	-	-
31	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-
32	Exposures in the form of UCIT shares or equities	54	-	-	-	54
33	Exposures to equities	104	-	-	-	104
34	Other assets	443	-	-	-	443
35	**TOTAL STANDARDIZED APPROACH**	**11,730**	**644**	**412**	**412**	**11,963**
36	**TOTAL**	**29,313**	**943**	**595**	**595**	**29,661**

Exposures in default represent 3.1% of the Group's total exposure: this rate is 1.7% in IRB and 5.2% in standard.

TABLE 22: CREDIT QUALITY OF ASSETS – SECTORAL BREAKDOWN – (RC1-B) – AT 12/31/19

		a	b		c	g
		Gross exposures				Net exposures
In € millions		Performing exposures	Exposures in default	Provisions	Specific provisions	(a+b-c-d)
1	Governments	4,201	0	0	0	4,201
2	Banks and financial institutions	2,512	-	0	0	2,512
3	Individuals	14,322	696	457	457	14,561
4	Sole traders	942	54	24	24	972
5	Farmers	1,032	26	16	16	1,042
6	Non-profit	103	1	2	2	102
7	Other Group subsidiaries	36	-	-	-	36
8	Travel and leisure	143	13	8	8	148
9	Chemicals	7	-	0	0	7
10	Retail	321	44	22	22	343
11	Automotive	65	3	2	2	66
12	Building and construction materials	233	11	8	8	236
13	Industrial goods and services	244	9	7	7	246
14	Healthcare	138	4	2	2	139
15	Other financial activities	241	7	5	5	243
16	Industrial transportation	335	11	2	2	344
17	Household goods	34	3	1	1	35
18	Real estate development	21	0	0	0	21
19	Other real estate (including leasing and land)	438	12	7	7	443
20	Utilities	39	0	0	0	39
21	Agri-food and drink	192	2	2	2	192
22	Media	20	1	1	1	20
23	Holding companies, conglomerates	124	7	5	5	126
24	Cutting-edge technologies	38	0	0	0	38
25	Oil and gas, commodities	7	2	0	0	9
26	Telecommunications	0	0	0	0	0
27	Miscellaneous	1,001	37	23	23	1,016
28	Equities	1,680	-	-	-	1,680
29	Other Assets	844	-	-	-	844
30	**TOTAL**	**29,313**	**943**	**595**	**595**	**29,661**

Individuals account for 49% of the CMNE Group's net exposures and 74% of its exposures in default. Their default rate is 4.6%.

TABLE 23: CREDIT QUALITY OF EXPOSURES BY GEOGRAPHIC REGION – (CR1-C) – AT 12/31/19

		a	b		c	g
		Gross exposures				Net exposures
In € millions		Performing exposures	Exposures in default	Provisions	Specific provisions	(a+b-c-d)
1	**Europe**	**28,901**	**939**	**592**	**592**	**29,247**
2	• France	21,006	326	193	193	21,139
3	• Germany	73	1	1	1	74
4	• Belgium	7,072	600	390	390	7,282
5	• Spain	3	2	1	1	4
6	• Luxembourg	95	3	2	2	96
7	• Netherlands	261	2	2	2	261
8	• Switzerland	13	0	0	0	13
9	• UK	176	2	2	2	177
10	• Other	201	2	2	2	201
11	**Rest of the world**	**413**	**4**	**3**	**3**	**414**
12	• United States	159	0	0	0	159
13	• Canada	194	1	0	0	194
14	• Other	60	3	3	3	61
15	**TOTAL**	**29,313**	**943**	**595**	**595**	**29,661**

The exposures in default are limited mainly to CMNE's two commercial markets, i.e. France and Belgium.

TABLE 24: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY REMAINING MATURITY – (RC1-D) – AT 12/31/19

	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying value/nominal amount											
	Performing exposures			Non-performing exposures								
In € millions		Past due <= 30 days	Past due > 30 days ≤ 90 days		Probability of arrears or in arrears <= 90 days	In arrears > 90 days and <= 180 days	In arrears > 180 days and <= 1 year	In arrears > 1 year <= 2 years	In arrears > 2 year <= 5 years	In arrears > 5 year <= 7 years	Past due > 7 years	of which: default
1 Loans and advances	**19,595**	**19,505**	**90**	**927**	**170**	**67**	**46**	**444**	**15**	**164**	**22**	**927**
2 Due to central banks	-	-	-	-	-	-	-	-	-	-	-	-
3 Governments	54	54	0	0	0	-	0	-	-	-	-	0
4 Credit institutions	2,562	2,562	-	-	-	-	-	-	-	-	-	-
5 Other financial sector	265	265	0	6	0	2	0	2	-	1	-	6
6 Non-financial companies	5,497	5,467	31	264	67	32	5	147	0	13	-	264
7 o/w SMEs	*4,790*	*4,763*	*27*	*213*	*63*	*8*	*5*	*125*	*0*	*13*	-	*213*
8 Households	11,217	11,158	59	657	102	32	40	295	15	150	22	657
9 Debt instruments	**3,502**	**3,502**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10 Due to central banks	12	12	-	-	-	-	-	-	-	-	-	-
11 Governments	742	742	-	-	-	-	-	-	-	-	-	-
12 Credit institutions	1,844	1,844	-	-	-	-	-	-	-	-	-	-
13 Other financial sector	611	611	-	-	-	-	-	-	-	-	-	-
14 Non-financial companies	293	293	-	-	-	-	-	-	-	-	-	-
15 OFF-BALANCE SHEET OUTSTANDINGS	**3,836**			**10**								**10**
16 Due to central banks	55			-								-
17 Governments	0			-								-
18 Credit institutions	866			1								1
19 Other financial sector	28			0								0
20 Non-financial companies	651			7								7
21 Households	2,236			2								2
22 TOTAL	**26,932**	**23,007**	**90**	**938**	**170**	**67**	**46**	**444**	**15**	**164**	**22**	**938**

TABLE 25: PERFORMING AND NON-PERFORMING EXPOSURES AND ASSOCIATED PROVISIONS – (RC1-E) – AT 12/31/19

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying value						Cumulative impairment, cumulative negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received (maximum possible amount)	
	Performing exposures			Non-performing exposures			Performing exposures – cumulative impairment and provisions			Non-performing exposures – cumulative impairments, cumulative negative changes in fair value due to credit risk and provisions			Classification in cumulative partial losses		
In € millions		Of which step 1	Of which step 2		Of which step 2	Of which step 3		Of which step 1	Of which step 2		Of which step 2	Of which step 3		For performing exposures	For non-performing exposures
1 **Loans and advances**	**19,595**	**18,797**	**798**	**927**	**-**	**927**	**-93**	**-50**	**-42**	**-500**	**-**	**-500**	**-**	**9,479**	**182**
2 Due to central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Governments	54	53	1	0	-	0	-	-	-	-	-	-	-	3	-
4 Credit institutions	2,562	2,562	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Other financial sector	265	258	7	6	-	6	-1	-1	-	-3	-	-3	-	42	1
6 Non-financial companies	5,497	5,153	344	264	-	264	-36	-15	-21	-114	-	-114	-	2,333	87
7 *Of which: small and medium-sized enterprises*	*4,790*	*4,474*	*316*	*213*	-	*213*	*-34*	*-14*	*-20*	*-101*	-	*-101*	-	*2,176*	*76*
8 Households	11,217	10,771	446	657	-	657	-55	-34	-20	-383	-	-383	-	7,101	94
9 **Debt instruments**[1]	**3,502**	**2,686**	**5**	**-**	**-**	**-**	**-1**	**-1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10 Due to central banks	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Governments	742	726	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Credit institutions	1,844	1,658	-	-	-	-	-1	-1	-	-	-	-	-	-	-
13 Other financial sector	611	15	0	-	-	-	-	-	-	-	-	-	-	-	-
14 Non-financial companies	293	288	5	-	-	-	-	-	-	-	-	-	-	-	-
15 **OFF-BALANCE SHEET OUTSTANDINGS**	**3,836**	**3,778**	**57**	**10**	**-**	**10**	**-3**	**-2**	**-1**	**-2**	**-**	**-2**		**286**	**1**
16 Due to central banks	55	55	-	-	-	-	-	-	-	-	-	-		-	-
17 Governments	0	0	-	-	-	-	-	-	-	-	-	-		-	-
18 Credit institutions	866	866	-	1	-	1	-	-	-	-	-	-		-	-
19 Other financial sector	28	28	0	0	-	0	-	-	-	-	-	-		1	-
20 Non-financial companies	651	632	19	7	-	7	-2	-1	-1	-1	-	-1		98	1
21 Households	2,236	2,198	38	2	-	2	-1	-1	-	-1	-	-1		187	-
22 **TOTAL**	**26,932**	**25,261**	**860**	**938**	**-**	**938**	**-97**	**-53**	**-43**	**-502**	**-**	**-502**	**-**	**9,765**	**182**

(1) Breakdown by step is not applicable to certain categories of debt instruments.

TABLE 26: QUALITY OF CREDITS FOR RESTRUCTURED EXPOSURES – AT 12/31/19

	Gross outstandings for restructured loans				Cumulative impairments, cumulative changes in JVs on credit risk and provisions		Collateral and financial guarantees received for restructured outstandings	
		Non-performing loans						
In € millions	Performing loans		of which default	of which impaired	for performing exposures with restructuring measures	Total for restructured non-performing outstandings		Collateral and financial guarantees received for non-performing exposures with restructuring measures
1 Loans and advances 0	**42**	**94**	**94**	**94**	**-2**	**-27**	**53**	**35**
2 Due to central banks	-	-	-	-	-	-	-	-
3 Governments	-	-	-	-	-	-	-	-
4 Credit institutions	-	-	-	-	-	-	-	-
5 Other financial sector	-	0	0	0	-	0	0	0
6 Non-financial companies	12	43	43	43	-1	-11	18	12
7 Households	30	50	50	50	-1	-16	34	23
8 Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9 Loan commitments given	**1**	**3**	**3**	**3**	**-0**	**-**	**1**	**-**
10 TOTAL	**43**	**97**	**97**	**97**	**-2**	**-27**	**53**	**35**

At December 31, 2019, outstanding forborne loans for the CMNE Group amounted to €136 million (compared to €116 million at December 31, 2018), of which €94 million are non-performing (69%). The restructured off-balance sheet amounts to €4 million.

TABLE 27: SEIZED ASSETS – AT 12/31/19

The CMNE Group had no seized assets at December 31, 2019.

4.3.7.6 Reconciliation of credit risk adjustments

TABLE 28: CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS – (CR2-A) – AT 12/31/19

	a	b
In € millions	Cumulative adjustments for specific credit risk	Accumulated general credit risk adjustments
Opening balance	-603	
Increases due at origination and on acquisition	-39	
Decreases due to derecognition	25	
Changes due to changes in (net) credit risks	-2	
Changes due to modifications without derecognition (net)	0	
Changes due to updating of models	-	
Reversals of provisions due to write-offs	25	
Exchange rate differences	-	
Recombination of companies, including acquisitions/disposals of subsidiaries	-	
Other	-	
Closing balance	-594	
Recoveries on assets previously written off	2	
Classification in loss	-32	

4.3.7.7 Standardized approach

Qualitative information on credit institutions' use of external credit ratings under the standardized approach to credit risk required for the CRD template.

CRD – Qualitative disclosure requirements on institutions' use of external credit ratings under the standardized approach to credit risk.

The exposures dealt with under the standardized approach are set out in the following table.

The Crédit Mutuel Group uses assessments by rating agencies to measure the sovereign risk on exposures relating to governments and central banks. Since September 2017, the CMNE Group has relied mainly on the estimates provided by the Banque de France for the Corporate exposures.

The cross-reference table used to link the credit quality steps to the external ratings taken into consideration is that defined in the regulations.

TABLE 29 – BREAKDOWN OF EXPOSURES UNDER THE STANDARDIZED APPROACH – (CR5) – AT 12/31/19

This table presents the exposures at default (after application of the CCF (credit equivalent conversion factor) to the off-balance sheet amount).

	Exposure classes *In € millions*	Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total
1	Governments and central banks	1,594	-	-	-	19	-	-	-	-	-	-	40	-	-	-	-	1,653
2	Regional governments or local authorities	205	-	-	-	16	-	-	-	-	-	-	-	-	-	-	-	222
3	Public sector (public bodies excluding central governments)	2,326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,326
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organizations	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
6	Credit institutions	12	-	-	-	281	-	265	-	-	-	-	-	-	-	-	-	557
7	Corporates	-	-	-	-	7	-	2	-	-	74	-	-	-	-	-	-	84
8	Retail customers	-	-	-	-	-	-	-	-	2,965	-	-	-	-	-	-	-	2,965
9	Exposures secured by a mortgage on immovable property	-	-	-	-	-	1,757	-	-	727	205	-	-	-	-	-	-	2,688
10	Exposures in default	0	-	-	-	-	-	-	-	-	210	75	-	-	-	-	-	285
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	54	-	-	-	-	-	-	54
15	Exposures to equities	-	-	-	-	-	-	-	-	-	104	-	-	-	-	-	-	104
16	Other assets	-	-	-	3	2	-	1	-	-	414	-	-	-	-	22	-	443
17	**TOTAL**	**4,137**	**-**	**-**	**3**	**325**	**1,757**	**268**	**-**	**3,692**	**1,061**	**75**	**40**	**-**	**-**	**22**	**-**	**11,379**

The totals include outstandings weighted at 250%, which correspond to the outstanding deferred tax assets.

Exposure to governments and central banks is predominantly weighted at 0%. The capital requirements associated with this portfolio reflect a limited sovereign risk for the Crédit Mutuel Groups with good-quality counterparties.

Customer exposures mainly affect BEOBANK and BAIL ACTEA IMMOBILIER.

4.3.7.8 Internal rating systems

Qualitative information on the internal rating (IRB) models enabling the requirements of the CRE template to be met.

CRE – Qualitative disclosure requirements related to IRB models

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.

Rating methodologies are defined under the responsibility of the Confédération Nationale du Crédit Mutuel for all portfolios. However, the regional entities are directly involved in developing and approving working group projects on specific issues, as well as in work on data quality and application acceptance testing. Therefore, in carrying out the accreditation work, the subsidiaries draw support from the expertise of the entity concerned, the staff employed by their parent company (risk and finance) and the Confédération Nationale staff.

The rating system for the Crédit Mutuel Group's counterparties is used across the entire Group.

Probability of default (PD) is the likelihood that a counterparty of the bank will default within a one-year period. Crédit Mutuel Group counterparties eligible for internal approaches are rated by a single system 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 ensure proper risk assessment and rating. The scale of values reflects risk progressivity and is divided into 11 positions, including nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D-, E+) and two default positions (E- and F).

Irrecoverable non-performing loans are a sub-set of category E-, and are identified in the information system by the rating E=.

In the so-called "mass" corporate and retail scopes, following the internal rating process, each borrower is given a score. Based on this rating as well as other characteristics, performing borrowers are grouped into homogeneous risk classes, prior to the process of measuring the regulatory parameter PD (probability of default). The grouping analyses are carried out 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. Prudence margins are taken into account so as to factor in the uncertainty of estimates.

In the other scopes, too few defaults are available to ensure the relevance and reliability of statistical estimates. The probabilities of default associated with the internal ratings are calibrated on the basis of external data.

Loss Given Default 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 Crédit Mutuel Group and approved for the bank, corporate and retail customer 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. Prudence margins are taken into account so as to factor in the uncertainty of estimates and the downturn 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 portfolios, the Crédit Mutuel Group calculates the conversion factors (CCF) in accordance with an internal method approved for financing commitments. In the case of guarantee commitments and the bank exposure class, regulatory values (standardized approach) are applied.

In the corporate and retail scopes, the internal CCFs are estimated based on average historical CCFs weighted by the number of contracts, using a product-focused segmentation. They are calibrated on the basis of internal data.

The parameters used for calculating weighted risks are national and applied for all Group entities.

MODEL MAPPING

Modeled parameter	Category of exposure	Portfolios	Number of models	Methodology
PD	Credit institutions	Financial institutions	2 models: Banks and covered bonds	Expert-type models based on grids comprising qualitative and quantitative variables
	Corporates	Large corporates (revenue > €500 million)	6 models according to the type of counterparty and sector	Expert-type models based on grids comprising qualitative and quantitative variables
		"Mass" corporates (revenue > €500 million)	3 models	Quantitative-type models with expert qualitative grids
		Acquisition financing, Large Corporates	1 model	Expert-type models based on grids comprising qualitative and quantitative variables
		Corporate acquisition financing	1 model	Quantitative-type models combined with expert qualitative grids
		Specialized financing	Spec asset lending: 6 models according to the asset type FS – projects: 4 models according to the sector, FS – real estate: 1 model	Expert-type models based on grids comprising qualitative and quantitative variables
		Other Corporates	2 models: Real estate companies and insurance companies	Expert-type models based on grids comprising qualitative and quantitative variables
	Retail	Individuals	6 models according to the type of loan (mortgage loan, overdraft, etc.)	Quantitative-type models
		Corporate bodies	4 models according to the type of customer	Quantitative-type models
		Sole traders	3 models according to the type of profession (retailers, 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	1 model	Quantitative-type models
		Real estate trusts	1 model	Quantitative-type models
LGD	Credit institutions	Financial institutions	1 model	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
	Corporates	Large Corporates (LC), Acquisition financing, RE Invest. cos. and Insurance	1 model, with sector parameters	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
		"Mass" corporates	1 model applied to 8 segments according to the type of loan and the nature of the collateral	Quantitative-type models based on internal collection flows
	Retail		1 model applied to 10 sectors depending on the type of loan and nature of security	Quantitative-type models based on internal collection flows
CCF	Corporates	"Mass" corporates	1 model applied to 4 segments according to the type	Quantitative model, CCFs calibrated using internal data of loan
	Retail		1 model applied to 8 sectors depending on the type of loan	Quantitative model, CCFs calibrated using internal data of loan

TABLE 30: IRB APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE – (CR6) – AT 12/31/19

This table includes only those categories subject to the internal ratings-based approach that have exposures.

In € millions	a	b	c	d	e	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Average LGD	Average maturity	RWA	RWA density	EL	Correction to amounts and provisions
1) CREDIT INSTITUTIONS											
0 to < 0.15	1,639	47	53%	1,664	0.06%	33.77%	2.50	351	21%	0	0
0.15 to < 0.25	259	-	0%	259	0.23%	30.50%	2.50	122	47%	0	0
0.25 to < 0.50	12	-	0%	12	0.44%	40.69%	2.50	10	86%	0	-
0.50 to < 0.75	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.75 to < 2.50	3	-	0%	3	1.02%	45.00%	2.50	4	131%	0	-
2.50 to < 10.00	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
10.00 to < 100.00	-	-	0%	-	0.00%	0.00%	2.50	-	0%	-	0
100.00 (default)	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
Sub-total	**1,912**	**47**	**53%**	**1,937**	**0.09%**	**33.39%**	**2.50**	**487**	**25%**	**1**	**0**
2) BUSINESSES											
0 to < 0.15	190	19	70%	204	0.10%	47.61%	2.50	69	34%	0	0
0.15 to < 0.25	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.25 to < 0.50	222	15	67%	232	0.32%	31.18%	2.50	94	40%	0	0
0.50 to < 0.75	155	18	34%	161	0.54%	21.22%	2.50	48	30%	0	0
0.75 to < 2.50	740	226	48%	847	1.50%	28.16%	2.50	572	68%	4	1
2.50 to < 10.00	263	29	55%	279	4.32%	22.00%	2.50	184	66%	3	1
10.00 to < 100.00	61	2	63%	62	18.06%	23.99%	2.50	79	126%	3	6
100.00 (default)	52	6	64%	56	100.00%	49.88%	2.50	58	103%	24	16
Sub-total	**1,684**	**314**	**50%**	**1,842**	**5.09%**	**29.67%**	**2.50**	**1,103**	**60%**	**34**	**24**
2.1.) Of which: SMEs											
0 to < 0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to < 0.25	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.25 to < 0.50	99	12	67%	107	0.30%	21.57%	2.50	23	21%	0	0
0.50 to < 0.75	139	17	32%	144	0.54%	21.26%	2.50	42	29%	0	0
0.75 to < 2.50	403	101	58%	462	1.52%	23.67%	2.50	242	52%	2	0
2.50 to < 10.00	165	11	63%	172	4.39%	20.99%	2.50	98	57%	2	1
10.00 to < 100.00	21	1	56%	21	20.16%	22.46%	2.50	23	107%	1	3
100.00 (default)	19	2	90%	21	100.00%	51.08%	2.50	23	108%	9	8
Sub-total	**846**	**144**	**56%**	**928**	**4.40%**	**23.14%**	**2.50**	**450**	**49%**	**13**	**12**
3) RETAIL CUSTOMERS											
0 to < 0.15	3,697	644	32%	3,905	0.07%	16.21%	-	118	3%	0	0
0.15 to < 0.25	1,696	238	34%	1,777	0.20%	17.24%	-	118	7%	1	0
0.25 to < 0.50	1,389	89	36%	1,420	0.36%	15.65%	-	134	9%	1	1
0.50 to < 0.75	683	163	33%	737	0.59%	20.90%	-	103	14%	1	1
0.75 to < 2.50	1,479	221	37%	1,561	1.38%	18.21%	-	337	22%	4	4
2.50 to < 10.00	1,052	112	42%	1,099	5.02%	18.81%	-	383	35%	11	10
10.00 to < 100.00	280	19	46%	288	20.35%	18.84%	-	199	69%	11	16
100.00 (default)	237	4	68%	239	100.00%	52.55%	-	81	34%	120	128
Sub-total	**10,512**	**1,489**	**35%**	**11,026**	**3.54%**	**18.02%**	**-**	**1,472**	**13%**	**148**	**160**
3.1.) Of which: Exposures secured by a mortgage on immovable property											
0 to < 0.15	2,793	93	41%	2,831	0.07%	13.52%	-	73	3%	0	0
0.15 to < 0.25	991	22	41%	1,000	0.19%	13.80%	-	57	6%	0	0
0.50 to < 0.75	1,059	17	41%	1,066	0.37%	14.42%	-	99	9%	1	0
0.50 to < 0.75	199	5	42%	201	0.59%	16.86%	-	27	14%	0	0
0.75 to < 2.50	816	20	41%	824	1.25%	14.28%	-	173	21%	1	2
2.50 to < 10.00	393	5	42%	395	4.62%	14.51%	-	181	46%	3	5
10.00 to < 100.00	156	1	41%	156	20.20%	14.97%	-	129	83%	5	7
100.00 (default)	107	0	42%	107	100.00%	43.48%	-	38	35%	43	38
Sub-total	**6,513**	**165**	**41%**	**6,581**	**2.67%**	**14.48%**	**-**	**776**	**12%**	**54**	**53**
3.1.a.) Of which: SMEs											
0 to < 0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to < 0.25	94	3	41%	95	0.18%	15.05%	-	4	5%	0	0
0.25 to < 0.50	199	3	42%	201	0.36%	16.48%	-	17	8%	0	0
0.50 to < 0.75	126	3	42%	128	0.59%	17.51%	-	17	13%	0	0
0.75 to < 2.50	113	4	42%	114	1.52%	16.94%	-	26	23%	0	0
2.50 to < 10.00	81	2	43%	82	4.53%	16.97%	-	36	44%	1	1
10.00 to < 100.00	40	0	42%	40	20.48%	17.09%	-	31	77%	1	2
100.00 (default)	15	0	36%	15	100.00%	49.68%	-	7	43%	7	6
Sub-total	**669**	**15**	**42%**	**675**	**4.56%**	**17.41%**	**-**	**138**	**20%**	**10**	**10**

In € millions	a	b	c	d	e	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Average LGD	Average maturity	RWA	RWA density	EL	Correction to amounts and provisions
3.1.b.) Of which: Non-SMEs											
0 to < 0.15	2,793	93	41%	2,831	0.07%	13.52%	-	73	3%	0	0
0.15 to < 0.25	897	20	41%	905	0.19%	13.67%	-	52	6%	0	0
0.25 to < 0.50	860	15	41%	866	0.37%	13.95%	-	82	9%	0	0
0.50 to < 0.75	72	2	41%	73	0.58%	15.71%	-	11	15%	0	0
0.75 to < 2.50	703	16	41%	710	1.20%	13.86%	-	146	21%	1	2
2.50 to < 10.00	312	3	41%	313	4.65%	13.86%	-	145	46%	2	4
10.00 to < 100.00	115	1	41%	116	20.11%	14.23%	-	98	85%	3	5
100.00 (default)	91	0	42%	91	100.00%	42.43%	-	31	34%	36	31
Sub-total	**5,844**	**150**	**41%**	**5,905**	**2.46%**	**14.15%**	**-**	**638**	**11%**	**44**	**43**
3.2.) Of which: Revolving											
0 to < 0.15	122	398	20%	202	0.08%	30.30%	-	3	2%	0	0
0.15 to < 0.25	67	115	20%	90	0.22%	30.30%	-	3	4%	0	0
0.25 to < 0.50	21	25	20%	26	0.38%	30.30%	-	2	6%	0	0
0.50 to < 0.75	66	88	20%	84	0.51%	30.30%	-	6	7%	0	0
0.75 to < 2.50	106	98	20%	126	1.56%	30.30%	-	22	17%	1	0
2.50 to < 10.00	55	30	20%	61	5.55%	30.30%	-	25	41%	1	1
10.00 to < 100.00	19	5	20%	20	19.59%	30.30%	-	17	84%	1	1
100.00 (default)	12	0	20%	13	100.00%	55.05%	-	3	23%	7	9
Sub-total	**468**	**761**	**20%**	**621**	**3.65%**	**30.80%**	**-**	**80**	**13%**	**10**	**11**
3.3.) Of which: Other – retail customers											
0 to < 0.15	782	153	59%	872	0.08%	21.72%	-	42	5%	0	0
0.15 to < 0.25	637	101	49%	686	0.22%	20.52%	-	58	8%	0	0
0.25 to < 0.50	308	46	43%	328	0.35%	18.48%	-	34	10%	0	0
0.50 to < 0.75	419	69	49%	452	0.60%	20.95%	-	69	15%	1	0
0.75 to < 2.50	557	103	52%	611	1.53%	21.01%	-	142	23%	2	1
2.50 to < 10.00	605	76	50%	643	5.21%	20.36%	-	177	28%	7	4
10.00 to < 100.00	105	12	56%	112	20.68%	22.20%	-	52	47%	5	8
100.00 (default)	118	3	75%	120	100.00%	60.34%	-	40	34%	69	81
Sub-total	**3,531**	**563**	**52%**	**3,824**	**5.03%**	**22.02%**	**-**	**615**	**16%**	**85**	**95**
3.3.a.) Of which: SMEs											
0 to < 0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to < 0.25	326	41	37%	341	0.22%	19.47%	-	24	7%	0	0
0.25 to < 0.50	150	27	35%	160	0.32%	18.46%	-	14	9%	0	0
0.50 to < 0.75	285	36	36%	298	0.64%	19.10%	-	39	13%	0	0
0.75 to < 2.50	316	37	41%	332	1.59%	19.24%	-	64	19%	1	1
2.50 to < 10.00	453	51	45%	475	5.22%	19.27%	-	114	24%	5	2
10.00 to < 100.00	62	9	47%	66	21.30%	19.76%	-	24	37%	3	6
100.00 (default)	48	3	76%	50	100.00%	60.16%	-	23	45%	28	30
Sub-total	**1,640**	**203**	**40%**	**1,722**	**5.66%**	**20.41%**	**-**	**302**	**18%**	**38**	**38**
3.3.b.) Of which: Non-SMEs											
0 to < 0.15	782	153	59%	872	0.08%	21.72%	-	42	5%	0	0
0.15 to < 0.25	311	60	57%	345	0.21%	21.55%	-	33	10%	0	0
0.25 to < 0.50	158	19	55%	168	0.37%	18.50%	-	20	12%	0	0
0.50 to < 0.75	134	34	62%	155	0.53%	24.53%	-	30	19%	0	0
0.75 to < 2.50	241	66	58%	279	1.45%	23.11%	-	79	28%	1	1
2.50 to < 10.00	152	25	62%	167	5.19%	23.49%	-	63	38%	2	2
10.00 to < 100.00	43	4	77%	46	19.80%	25.73%	-	28	61%	2	2
100.00 (default)	70	1	72%	70	100.00%	60.47%	-	18	25%	41	51
Sub-total	**1,891**	**360**	**59%**	**2,103**	**4.51%**	**23.35%**	**-**	**313**	**15%**	**47**	**57**
TOTAL	**14,108**	**1,850**	**38%**	**14,805**	**3.28%**	**21.48%**	**2.50**	**3,062**	**21%**	**182**	**184**

For the long term, governments and central banks will be subject to the standardized approach, specialized financing to the slotting criteria method and equities to the simple weighting method.

Exposures secured by a mortgage on immovable property account for 62% of retail customer exposures. These exposures relate mainly to our local bank network in France and are in the form of home loans, which have an allocation policy based on a well-controlled system. In the case of retail customers, the average probability of default on performing exposures is 1.41%. This low rate demonstrates the effect of collateral taken on loan origination and the factoring in of the borrower's quality.

Backtesting

The quality of the internal ratings system is monitored based on national procedures that detail the topics reviewed, the disclosure thresholds and the responsibilities of the participants. These documents are updated by the Confédération Nationale du Crédit Mutuel Risk department as required in accordance with the decisions that have been approved. Reporting on the monitoring of mass rating models involves three main areas of study: stability, performance and various additional analyses. This reporting is carried out for each mass rating model on a quarterly basis and supplemented with half-year and annual controls and monitoring work, for which the levels of detail are higher (all of the elements making up each of the models are analyzed).

Regarding expert grids, the system includes a complete annual review based on performance tests (analysis of rating concentrations, transition matrices and consistency with the external rating system).

Default probabilities are monitored annually before any new estimates of the regulatory parameter. Depending on the portfolios, this is supplemented with interim monitoring on a half-yearly basis. 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 checking the robustness of the methods for calculating the prudential margins and by comparing the LGD estimators with the latest data and actual results. For the CCF, validations are carried out by comparing the estimators with the most recent CCF observed.

Since monitoring of the parameters is the subject of a national procedure, the quantitative elements relating to the backtesting of the parameters and to the change in the risk-weighted assets (RWAs) in the context of the internal ratings-based approach are presented in the confederal Pillar 3 report.

Permanent and periodic control

The Crédit Mutuel Group's Basel permanent control plan comprises two levels. At the national level, permanent control is involved in validating new models and significant adjustments made to existing models on the one hand, and on the other, the permanent monitoring of the internal rating system (particularly the parameters). At regional level, CNCM permanent control provides a guidance, coordination and standardization role 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.

In terms of periodic control, the Crédit Mutuel Group's audit unit carries out an annual review of the internal ratings system. A procedure defines the type of assignments to be carried out on an ongoing basis on the Basel II procedures as well as the breakdown of responsibilities between the regional and national audit units.

Additional quantitative information

The risk-weighted assets (RWAs) 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 (RWAs) of specialized financing exposures are obtained using the slotting criteria method.

Table 31: Risk-weighted asset (RWA) flow statement of credit risk exposures under the internal ratings-based approach – (CR8)

Not published at CMNE Group level – table available at national level (see Pillar III document published by Confédération Nationale du Crédit Mutuel).

Table 32: Internal ratings-based approach – backtesting of probability of default by exposure class – (CR9)

Not published at CMNE Group level – table available at national level (see Pillar III document published by Confédération Nationale du Crédit Mutuel).

TABLE 33: INTERNAL RATINGS-BASED APPROACH (SPECIALIZED LENDING AND EQUITIES) – (CR10) – AT 12/31/19

Equities under the simple risk weight approach
In € millions

Categories	Weighting	Exposure amount	RWA	Capital requirements
Private equity exposures	190%	16	30	2
Exchange-traded equity exposures	290%	-	-	-
Other equity exposures	355%	1,506	5,342	427
TOTAL		**1,522**	**5,372**	**430**

Other equity exposures comprise the Group's significant interests in the financial sector (weighted at 250%) totaling €191 million as well as the other equity exposures totaling €1,315 million, including €960 million in respect of the interest in Groupe des Assurances du Crédit Mutuel (GACM).

4.3.8 Counterparty risk

Qualitative information on credit risk enabling the requirements of the CCRA template to be met.

CCRA – Qualitative disclosure requirements related to CCR

TABLE 34: ANALYSIS OF THE COUNTERPARTY RISK (CCR) EXPOSURE BY APPROACH – (CCR1) – AT 12/31/19

	a	b	c	d	e	f	g
In € millions	Notionals amounts	Replacement cost/ current market value	Potential future credit exposure	Effective expected positive exposure (EEPE)	Multiplier	EAD post-CRM	RWA
1 Mark to Market		120	91			96	35
2 Original exposure							
3 Standardized approach							
4 Internal Model Method (IMM) (for derivatives and SFTs)							
5 Of which securities financing transactions							
6 Of which derivatives and long settlement transactions							
7 Of which from contractual cross-product netting							
8 Financial collateral simple method (for SFTs)							
9 Financial collateral general method (for SFTs)							
10 VaR for SFTs							
11 TOTAL							**35**

Pursuant to Article 274 of EU Regulation no. 575/2013, the current replacement cost of all contracts with a positive value is calculated using the contracts' current market prices. Similarly, to determine the potential future credit exposure, credit institutions multiply their notional or underlying value by a percentage depending on the type of contract.

TABLE 35: CVA CAPITAL CHARGE – (CCR2) – AT 12/31/19

	a	b
In € millions	Amount of exposure	RWAs
1 TOTAL PORTFOLIOS SUBJECT TO THE CVA ADVANCED METHOD		
2 i) VaR component (including the 3× multiplier)		
3 ii) Stressed VaR component (including the 3× multiplier)		
4 TOTAL PORTFOLIOS SUBJECT TO THE CVA STANDARDIZED METHOD	**62**	**62**
EU4 TOTAL BASED ON THE ORIGINAL EXPOSURE METHOD		
5 TOTAL SUBJECT TO CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL REQUIREMENTS	**62**	**62**

The CVA results mainly from the activity of LFGI, a subsidiary of Groupe La Française and of the CMNE Group. LFGI's structuring activity for CMNE has been dormant since that year.

TABLE 36: STANDARDIZED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTING – (CCR3) – AT 12/31/19

Exposure classes *In € millions*		Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total
1	Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector (public bodies excluding central governments)	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Credit institutions	16	-	-	-	16	42	-	-	4	-	-	79
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail customers	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other assets	-	-	-	-	-	-	-	-	-	-	-	-
11	**TOTAL**	**16**	**-**	**-**	**-**	**16**	**42**	**-**	**-**	**4**	**-**	**-**	**79**

TABLE 37: IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AND PD SCALE – (CCR4) – AT 12/31/19

In € millions	a	b	d	e	f	g
PD scale	EAD post-CRM	Average PD	Average LGD	Average maturity	RWA	RWA density
GOVERNMENTS AND CENTRAL BANKS						
TOTAL	**0**	**0%**	**0%**	**0**	**0**	**0%**
CREDIT INSTITUTIONS						
0 to < 0.15	17.4	0.08%	45.00%	2.5	6.8	39%
0.15 to < 0.25	0.2	0.23%	45.00%	2.5	0.1	70%
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)						
TOTAL	**17.6**	**0.08%**	**45.00%**	**2.5**	**6.9**	**39%**

4.3.9 Credit risk mitigation techniques

Qualitative information on credit risk mitigation techniques enabling the requirements of the CRC template to be met.

CRC – Qualitative disclosure requirements related to credit risk mitigation (CRM) techniques

Financial, personal and actual collateral can be used directly to reduce the calculation of credit risk-related capital requirements that help to determine the calculation of the Group's solvency ratio. The use of collateral in risk mitigation techniques is, however, subject to compliance with eligibility conditions and minimum requirements imposed by regulations.

4.3.9.1 Netting and collateralization of repos and over-the-counter derivatives

The central clearing obligation concerns the plain vanilla derivative contracts on interest rates denominated in euros. CMNE selected LCH Clearnet Group Ltd as its clearing house and refers to it all new contracts that meet these criteria.

For over-the-counter transactions, the CMNE Group has implemented the risk mitigation techniques required by the European Market and Infrastructure Regulation (EMIR). Daily margin calls significantly reduce the residual net credit risk on over-the-counter derivatives and repos.

Finally, the CMNE Group reports all of its swap transactions to a central repository, which is responsible for collecting and recording the details of these contracts, again in accordance with EMIR.

4.3.9.2 Description of the main categories of collateral taken into account by the institution

The CMNE 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. The CMNE Group relies on the expertise of and work carried out within the Crédit Mutuel Group.

For retail banking customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss given default, calculated statistically on all the Group's non-performing loans and loans in litigation.

For contracts concerning the Basel "Sovereign" and "Institution" portfolios and, to some extent, the "Corporate" portfolio, personal collateral and financial collateral are used as risk mitigation techniques, as defined by the regulations:

- personal collateral corresponds to a commitment made by a third party to take the place of the primary debtor if the latter defaults. By extension, credit derivatives (purchase of protection) are included in this category;
- financial collateral is defined by the Group as a right for the institution to liquidate, retain or obtain the transfer or ownership of certain amounts or assets, such as pledged cash deposits, debt securities, equities or convertible bonds, gold, UCITS units, life insurance policies and instruments of all kinds issued by a third party and redeemable on request.

Use of the guarantee is only effective if said guarantee meets the legal and operational criteria laid down by the regulations. Operational procedures describe the features of the guarantees used, the eligibility conditions, the operating principles and the resolution of alerts triggered in the event of non-compliance. Downstream processing to calculate weighted risks taking into account risk mitigation techniques is largely automated.

The entire catalog (contracts library) of the collateral used by the CMNE Group complies with the Basel recommendations. The document database used by the CMNE Group is that of the Crédit Mutuel Group, whose legal departments have carried out an analysis of the characteristics of the guarantees and their supporting documentation.

The CMNE Group applies a risk reduction policy on origination, based on the borrower's intrinsic ability to repay the loan, which is the overriding criterion, and on the taking of appropriate guarantees.

Accordingly, at December 31, 2019, 95% of the French network's home loans were covered by such a guarantee and the rate was 88% for first mortgages or housing loan guarantees.

4.3.9.3 Procedures applied for the measurement and management of instruments that constitute real 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 Nord Europe Group is based on statistical estimation methodologies, integrated directly into the applications, using external indexes with potential discounts applied depending on the type of asset accepted as collateral. On an exceptional basis, specific procedures include expert valuations, particularly in cases where the finance provided is not local or for a real estate transaction involving a significant amount of work.

These procedures are drawn up at national level. The CMNE Group is then responsible for operational management, monitoring valuations and the activation of guarantees.

As such, the procedures for taking and managing guarantees are the subject of detailed documentation, which is made available to employees of the network and the federal departments concerned on the CMNE Group's intranet.

A tool enabling guarantees to be managed and monitored has been developed to assist with the process of accepting guarantees. Accordingly, within the loan instruction tools, a link has been incorporated, making it possible to access the full catalog of guarantees and input their details. In the event of doubt, a quick link with the intranet documentation is available.

The loan origination procedures in force within the CMNE Group have been determined such that the guarantees are handled at local bank level by the staff responsible for accepting them. Accordingly, straightforward guarantees remain the responsibility of the local banks. They are assisted by the federal services, in particular the loan origination function, which reports to the Loans Department. One team manages traditional loans with complex guarantees while the other focuses on regulated loans for the real estate and farming markets.

The guarantee management tool makes it possible to ensure that the guarantee eligibility criteria are applied by defining precise procedures covering their monitoring, renewal, expiry, valuation and warnings to detect anomalies.

4.3.9.4 Main categories of protection providers

With the exception of intra-Group guarantees, the main categories of protection providers recognized are mutual guarantee companies such as Crédit Logement.

TABLE 38: CREDIT RISK MITIGATION (CRM) TECHNIQUES – OVERVIEW – (CR3) – AT 12/31/19

		a	b	c	d	e
In € millions		Exposures unsecured – carrying amount	Exposures secured – carrying amount*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	24,264	4	4	-	-
2	Total debt securities	2,869	-	-	-	-
3	**TOTAL EXPOSURES**	**27,133**	**4**	**4**	**-**	**-**
4	of which in default	442	-	-	-	-

* *Column only includes secured exposures that are subject to a credit risk mitigation technique in the regulatory sense. The small amount of secured exposures reflects the fact that for retail customer contracts based on an advanced IRB approach the guarantees are used as an element for segmenting the loss in the event of default and, as such, CRM techniques are not used.*

Under the standardized approach, the small differences between the amounts of the exposures pre and post CRM demonstrate that the impact of the collateral is not material.

The potential concentrations resulting from the CRM measures (by guarantor and by sector) are monitored as part of credit risk management and included in the quarterly management reports and, in particular, the monitoring of compliance with the limits in terms of concentration (monitored after factoring in the guarantors). No specific concentration results from the implementation of the CRM techniques.

TABLE 39: STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS – (CR4) – AT 12/31/19

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
Exposure classes *In € millions*		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Governments and central banks	1,653	-	1,653	-	103	6%
2	Regional governments or local authorities	222	0	222	0	3	1%
3	Public sector (public bodies excluding central governments)	2,326	0	2,326	0	-	0%
4	Multilateral development banks	-	-	-	-	-	0%
5	International organizations	0	-	0	-	-	0%
6	Credit institutions	553	-	557	-	188	34%
7	Corporates	77	15	77	7	73	87%
8	Retail customers	2,442	1,058	2,442	523	2,162	73%
9	Exposures secured by a mortgage on immovable property	2,653	78	2,649	39	1,318	49%
10	Exposures in default	282	5	282	3	323	113%
11	Exposures associated with particularly high risk	-	-	-	-	-	0%
12	Covered bonds	-	-	-	-	-	0%
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14	Exposures in the form of UCIT shares or equities	54	-	54	-	54	100%
15	Exposures to equities	104	-	104	-	104	100%
16	Other assets	443	-	443	-	419	95%
17	**TOTAL**	**10,807**	**1,156**	**10,807**	**572**	**4,747**	**42%**

TABLE 40: IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES – (CCR5-A) – AT 12/31/19

		a	b	c	d	e
In € millions		Positive gross fair value or net carrying amount	Netting benefits	Current credit exposure after netting	Collateral held	Net credit exposures
1	Derivatives	315	195	120	115	5
2	Resale agreements	7	7	-	-	
3	Cross-product netting			-		-
4	**TOTAL**	**322**	**202**	**120**	**115**	**5**

TABLE 41: COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR – (CCR5-B) – AT 12/31/19

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
Types of collateral *In € millions*	Separate	Non-Separate	Separate	Non-Separate		
Cash				148		
Sovereign debt				22		
TOTAL	**0**	**0**	**0**	**170**	**0**	**0**

4.3.10 Equity exposures in the non-trading book

Section presenting information on equity exposures in the non-trading book as required under Article 447 of the CRR.

TABLE 42: EQUITIES AT 12/31/19

Value exposed to risk *In € millions*	
EQUITIES	
Internal ratings-based approach	1,522
• Private equity (190%)	16
• Significant holdings in the financial sector (250% weighting)	191
• Exposures to listed equities (290%)	0
• Other equity exposures (370%)	1,315
Standardized approach	158
of which private equity (150%)	0
EQUITY INVESTMENTS DEDUCTED FROM CAPITAL	
TOTAL UNREALIZED GAINS AND LOSSES INCLUDED IN CAPITAL	**91**
of which unrealized capital gains included in tier 2 capital	

4.3.11 Securitization

Section presenting qualitative information on securitization exposures, in accordance with Article 449 of the CRR.

4.3.11.1 Objectives

In connection with its capital markets activities, the Crédit Mutuel Nord Europe Group's involvement in the securitization market concerns taking investment positions with a threefold aim: return, risk taking and diversification. 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.

Irrespective of the business context, the Crédit Mutuel Nord Europe Group is not an originator and may only marginally be considered a sponsor. It does not invest in re-securitizations.

4.3.11.2 Control and monitoring procedures for capital markets activities

Market risks in respect of the securitization positions are monitored by each regional group in respect of its own scope. These groups are responsible for implementing a control system and the associated procedures.

4.3.11.3 Credit risk hedging policies

The credit markets activities traditionally buy securities. Nevertheless, purchases of credit default swaps for hedging may be authorized and, as applicable, are governed by the capital markets procedures.

4.3.11.4 Prudential approaches and methods

The entities included within the scope for approval of the credit risk internal rating approach apply the method based on the ratings. Otherwise, the standardized approach is retained.

4.3.11.5 Accounting policies and principles

Securitization assets are recognized at fair value in the income statement. The accounting principles and methods are detailed in the notes to the CMNE Group's financial statements.

4.3.11.6 Assets issued

At the end of the fiscal year, CMNE no longer has any assets issued. FCT CMNE HOME LOANS, the only asset issued, matured in July 2019.

4.3.12 Market risk

Qualitative information on market risk enabling the requirements of the MRA template to be met.

MRA – Qualitative disclosure requirements related to market risk.

CMNE had only one fund that was treated as a market risk, and it was liquidated during the first quarter of 2019.

4.3.13 Banking book interest rate risk

Section disclosing information on interest rate risk in the banking portfolio, in accordance with Article 448 of the CRR, which was updated in EU Regulation 2019/876. In addition, the European Banking Authority (EBA) guidelines on the management of interest rate risk inherent in non-trading activities, reference EBA/GL/2018/02, define interest rate risk as the actual or prospective risk to an institution's revenue or economic value resulting from adverse movements in interest rates affecting interest-sensitive instruments, including the risk of mismatch, basis risk and option risk.

The aim of interest rate risk management is to reduce the structural risks of rates within the entities and to manage the interest margin generated by the various activities in the banking scope.

The interest-rate risk of the banking portfolio, or overall interest-rate risk, is the risk of variability of results due to differences in rates, maturity and type between the assets and liabilities of the banking portfolio. This risk is analyzed outside the trading portfolio.

Each company within this scope has its risk analyzed by a specific Finance Committee on a quarterly basis.

The ALM Committee defines the interest rate hedging policy. It meets quarterly and is in charge of:

- measuring the interest rate risk profile of the CMNE Group, CFCMNE and its subsidiary BEOBANK and establishing the various interest rate risk indicators;
- monitoring compliance with the limits defined in respect of the CMNE Group's risk appetite in terms of interest rates;
- proposing macrohedging strategies for fixed rate assets.

The CMNE Group measures interest rate risk using two bases: the sensitivity of the Net Interest Margin (NIM) and the sensitivity of the Net Present Value (NPV) in accordance with the regulations issued by the ECB.

These measures are subject to regulatory limits (NPV) or management limits (NIM) in accordance with the recommendations of Confédération Nationale du Crédit Mutuel and the French Prudential Control and Resolution Authority.

All of the following limits apply in the same manner to all of the Group's banking subsidiaries:

- **NPV:** linear movement in the rate curve of 200 bps may not represent more than 15% of Tier one capital and 20% of the total value of capital. The capital retained must be consistent, in terms of scope, with the interest rate risk basis analyzed. In mid-2019, application of the six interest rate scenarios defined by the EBA as part of the implementation of BCBS 368 (Interest rate risk in the banking portfolio);
- **NIM:** linear movement in the rate curve of 100 bps must not induce sensitivity in excess of 6% of net banking income taking a dynamic view at one and two years. In addition, CMNE supplements its NIM sensitivity analysis with simulations according to five scenarios defined at confederal level;
- **Basis risk:** introduction of a basic risk limit approved by the CMNE Board of Directors, at its meeting on December 16, 2019 (limit of 4.1 times historical prudential NBI).

Monitoring of limits is governed by the information and escalation rules in the event of a breach.

At the end of 2019, the CMNE Group complied with the above limits.

4.3.14 Operational risk

Section detailing the use of the advanced measurement approach (AMA) for measuring capital requirements in respect of operational risks, as required by Article 446 of the CRR. In accordance with Article 454 of the CRR, this document includes a description of the use of insurance and other risk transfer mechanisms for the purposes of mitigating this risk.

In accordance with EU Regulation 575/2013, operational risk is defined as the risk of loss or gain resulting from the inadequacy or failure of an entity's processes, personnel or internal systems, or from external events, including legal risk. Operational risk includes, in particular, the risks associated with events whose occurrence is unlikely but whose impact would be significant, risks of internal and external fraud as defined in Article 324 of EU Regulation 575/2013, model risks, compliance risk and corruption risk. Operational risk thus defined excludes strategic risks and reputational risks.

4.3.14.1 Description of the Advanced Measurement Approach (AMA)

As part of the implementation of the Advanced Measurement Approach (AMA) for the assessment of capital requirements for operational risk, a dedicated department within the Risk Division is in charge of operational risk.

Crédit Mutuel Nord Europe has an operational risk management process that is reliable and comprehensive, both in terms of the scope covered and the level of risk concerned.

The operational risk control and measurement procedure is based on the risk mapping carried out for each business line and each purpose and type of risk, liaising closely with the functional departments and the day-to-day risk management measures. These mappings serve as a standardized framework for analysis of the loss experience and result in modeling drawn from the work of experts reconciled with probability-based measurements based on different scenarios. They are updated periodically so as to include those risks that are increasing (operational risks that can be classified as compliance or corruption risks, information system security risks, etc.).

For modeling purposes, the Group relies mainly on the national database of internal losses. This database is populated according to the rules defined in the national collection procedure. Above the uniform threshold of €1,000, each claim must be entered. Reconciliations between the claims basis and the accounting information are performed.

In addition, the Crédit Mutuel Group subscribes to an external database whose analysis contributes to the enrichment of maps and, more generally, to the operational risk measurement system.

The Group's general steering and reporting system integrates the requirements of the decree of November 3, 2014, relating to internal control. Exposure to operational risk and losses is reported on a regular basis to the executive and governing body, by means of the Risk Committees and the presentation of management reports.

The procedures implemented within the Group in terms of governance, loss data collection, and risk measurement and management systems enable it to take appropriate remedial action. These procedures are subject to regular controls.

4.3.14.2 Authorized scope for AMA method

The Crédit Mutuel Group has, since January 1, 2010, been authorized to use its advanced measurement approach (AMA – internal models) to calculate its capital adequacy requirements in respect of operational risk (representing 64% of the total capital requirement in respect of CMNE's operational risk). The capital adequacy calculation is based mainly on an assessment of the potential risks, which enables capital to be allocated in respect of operational risks covering both Pillar I and Pillar II.

4.3.14.3 Operational risk mitigation and hedging policy

Operational risk mitigation techniques include:

- preventive actions identified during the mapping process and implemented directly by operational staff. Risk mitigation has been improved notably as a result of the implementation of security procedures relating to remote banking and means of payment. This has led to reduced levels of fraud;
- protection actions primarily geared toward emergency and business continuity plans (PUPAs).

Emergency and Business Continuity Plans are structured around three phases:

- the emergency plan: immediate, consists of actions to handle emergencies and implement the degraded processing solution;
- the business continuity plan corresponds to the resumption of activity in a degraded environment;
- the plan to return to normal.

A national procedure defines the methodology for developing a PUPA. This is a reference document accessible to all teams concerned. It is applied by all regional groups.

4.3.14.4 Use of insurance techniques

The French Prudential Supervisory and Resolution Authority authorized the Crédit Mutuel Group to take into account the impact of insurance as a mitigating factor in the calculation of the AMA capital requirement for operational risk with effective application as from the period ended June 30, 2012.

The principles applied for financing operational risks within the Crédit Mutuel Group depend on the frequency and severity of each potential risk. These involve:

- setting up insurance cover or financing by withholding amounts on the operating account for frequency risks;
- insuring serious risks via external insurers and reinsurers;
- developing self-insurance for amounts below insurance deductibles;
- allocating prudential capital reserves or provisions financed by assets that can be mobilized for serious non-insurable risks.

The Crédit Mutuel Group's insurance programs comply with the provisions of Article 323 of EU Regulation 575/2013 of the European Parliament and Council of June 26, 2013, concerning the deduction of insurance under the advanced method approach (AMA).

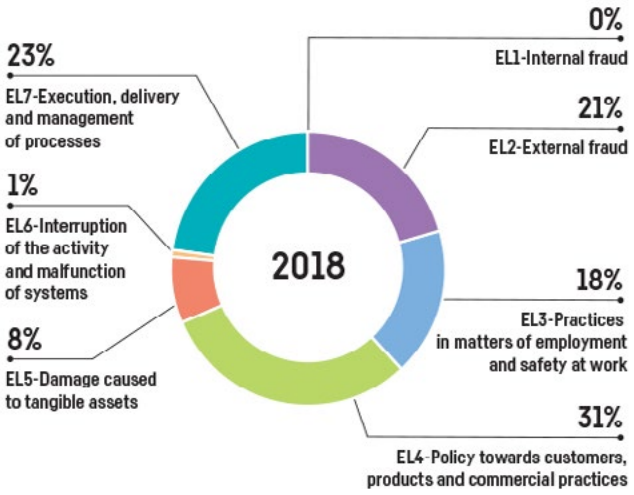
The insurance included in the deduction process covers damage to real and personal property (multi-risk), specific banking risks and fraud, professional third-party liability and cyber risks.

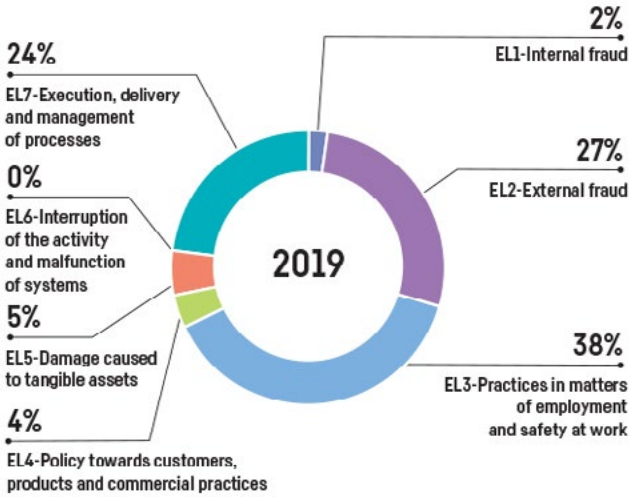
In respect of operational risk, in 2019 the CMNE Group recognized losses net of insurance payouts and other recoveries totaling €4 million. This amount breaks down as follows:

- €5.1 million of gross losses, 38% of which was due to "the policy as regards clients, products and business practices", 27% of which was due to "execution, delivery and process management" and 24% of which was due to External fraud;
- €1.1 million of insurance payouts and other recoveries.

In addition, provisions at December 31, 2019, totaled €9.4 million (66% related to Bankinsurance France), €4.5 million of which related to credit risk.

Capital requirements in respect of operational risk totaled €99 million (after deduction of insurance of €11.8 million).





4.3.15 Liquidity risk

4.3.15.1 Liquidity risk management

Liquidity risk is an entity's inability to meet its current liabilities or to convert certain assets that have become illiquid into liquid assets. The CMNE Group's liquidity risk is monitored by the ALM Committee and by the Treasury Committee. The ALM Committee defines the medium- and long-term liquidity policy and meets every quarter whereas the Treasury Committee meets each month and its responsibilities concerning liquidity cover a shorter timescale.

The ALM Committee and Treasury Committee are responsible for:

- measuring the liquidity risk profile for the CMNE Group, CFCMNE and BEOBANK;
- monitoring compliance with the various liquidity and interest rate ratios;
- monitoring compliance with the limits defined in respect of the CMNE Group's risk appetite with regard to interest rates and liquidity;
- proposing strategies for issuing liabilities and their hedging.

The CMNE Group's objective is to ensure the refinancing of its activities at minimal cost by managing liquidity risk and complying with the regulatory constraints.

CMNE measures its short- and medium-term liquidity risk using the Liquidity Coverage Ratio (LCR).

The LCR is designed to ensure the resilience of banks' liquidity risk profiles in the short term by requiring that they maintain sufficient unencumbered high-quality liquid assets (HQLA) that can be easily and immediately converted into cash in the event of a liquidity crisis lasting up to 30 calendar days.

At the end of December 2019, the CMNE Group's consolidated LCR was 143% and the regulatory minimum was 100%.

Over a medium-term horizon, the Net Stable Funding Ratio (NSFR) is calculated on the basis of existing directives and regulations which have not yet been finalized by the regulator. It was 122% at Monday, December 31, 2019, thereby demonstrating that the Group has sufficient stable funding. Over the long term, CMNE measures its liquidity risk by applying the Crédit Mutuel Group's national procedures, the aim of which is to manage liquidity transformation. The general principle involves running off of all of the assets and liabilities in accordance with the agreements used and in accordance with the interest rate risk measurement and measuring the coverage ratio of applications of fund by sources of funds of an equivalent term but with different maturities. This measurement is carried out on a statistical basis and the ratio must be greater than or equal to 90% over a horizon of between three months and five years. The ratio is measured and presented each quarter and is consistently above 100%. This analysis is supplemented by a measurement of the liquidity under various scenarios combining closure of the refinancing markets and customer deposit flight defining the survival horizon.

The measurement of the survival horizon is based on liquidity stress scenarios combining systemic factors (closure of the markets) and idiosyncratic factors (assumptions of a significant Retail and Corporate deposit flight). In such circumstances, the Group's view is that the assumption of an increase in loan outstandings resulting from the renewal of maturities and additional drawdowns concerning off-balance sheet items constitutes a prudent assumption. It is calculated quarterly on the basis of ALM projections.

The CMNE has set a 100-day appetite limit for the most stressful scenario of the survival horizon, as well as daily liquidity monitoring supplemented by weekly indicators.

As of December 31, 2019, CMNE's survival horizon was longer than one year.

In terms of refinancing, Caisse Fédérale du CMNE has three programs authorized by the Banque de France or the AMF for the issue of short-term marketable securities (Negotiable European Commercial Paper – NEU CP) (€4 billion), medium-term marketable securities (€1.5 billion) and bonds (€4 billion).

In 2019, Caisse Fédérale du CMNE raised medium- and long-term funding through its bond issue program.

Caisse Fédérale du CMNE participated in the Targeted Long-Term Refinancing Operation (TLTRO II) in the amount of €800 million (consisting of participation in the June 2016 TLTRO II of €400 million, then €200 million at end-December 2016 and €200 million in March 207).

During fiscal year 2019, the Caisse Fédérale du CMNE repaid €350 million in advance of the June 2016 TLTRO II, bringing its investment in the TLTRO II to €450 million at the end of the period.

TABLE 43: LIQUIDITY RESERVES – AT 12/13/19

In € millions	Amount after discount	Amount before discount
LCR buffer	1,823	1,841
of which available deposits in central banks	838	838
Eligible amount: central banks, non-LCR eligible	801	1,101
Other liquidity reserves (market liquidity)	2,370	3,985
TOTAL	**4,994**	**6,927**

The liquidity reserve comprises the cash held in central banks and the assets immediately available to deal with a significant liquidity outflow. It consists of:

- deposits with central banks;
- securities known as High Quality Liquid Assets (HQLA);
- securities eligible for central bank refinancing;
- available securities that can be rapidly monetized on the market by means of a sale or a repurchase agreement.

The portfolio of securities eligible for central bank refinancing on the market is monitored on a daily basis. In the event of a new investment, if the dispersion constraints are obeyed, the new security will be pledged to the Central Bank to feed the 3G pool. The minimum threshold for the CFCMNE credit line has been set at €200 million to maintain a liquidity buffer for intra-day management.

With a view to secure and prudent liquidity management, the HQLA securities needed to form the liquidity buffer for the Group's LCR are not pledged to the central bank.

The Caisse Fédérale du CMNE maintains an outstanding amount of eligible securities at the ECB of around €1.55 billion; Beobank supplements this facility with an outstanding amount of approximately €0.67 billion of eligible securities.

TABLE 44: AVERAGE MATURITY OF SHORT-TERM DEBT – AT 12/31/19

Year-end stock *In € millions*	
Total amount of short-term refinancing	928
Average residual maturity in number of days	201

On the NEU CP market, CMNE obtains refinancing over periods that are generally less than six months despite a lengthening of the average issue term in Q4 2019.

Short-term issues are in line with the bank's core missions, i.e. transformation even against a backdrop of low rates with a shallow yield curve.

TABLE 45: SHORT-TERM REFINANCING ON THE MARKETS – AT 12/31/19

Year-end stock *In € millions*	
ST refinancing raised during 2019	2,237
ST refinancing maturities during 2019	2,183
Renewal rate of maturing refinancing (amounts raised/maturing)	102%

TABLE 46: MLT REFINANCING: EXPECTED MATURING AMOUNTS BY YEAR – AT 12/31/19

In € millions

Types of instruments		Maturities schedule											
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	> 2029	Total
Origin: CM Group		0	0	0	0	0	0	0	0	0	0	0	0
Outside CM Group	Senior (borrowings, bonds, MTN and EMTN)	565	382	35	76	46	47	38	26	42	102	0	1,356
	CRH	149	60	155	78	0	90	35	0	0	78	0	645
	LTRO/TLTRO	250	200										450
	Subordinated loans (deeply subordinated notes and subordinated notes)	0	0	0	0	42	55	475	40	0	0	200	812
TOTAL MLT WHOLESALE FUNDING		**964**	**642**	**190**	**154**	**87**	**192**	**548**	**66**	**42**	**180**	**200**	**3,263**

For the purposes of adopting a prudent approach regarding its liabilities, CMNE retains by agreement the first maturity date for its Autocall options.

TABLE 47: MLT ISSUE DURING 2019

In € millions

Types of instruments		Amount	Average maturity *(in years)*	Maturities schedule											
				2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	> 2029	Total
2019 transactions	Senior	252	1.2	204	48	0	0	0	0	0	0	0	0		252
	TLTRO	0	0												0
	Subordinated loans (deeply subordinated notes and subordinated notes)	0	0												0
	Other (CRH)	113	9.1							35			78		113
TOTAL		**365**		**204**	**48**	**0**	**0**	**0**	**0**	**35**	**0**	**0**	**78**	**0**	**365**

TABLE 48: LIQUIDITY COVERAGE RATIO (LCR) – (LIQ1.18)

		Unweighted value		Weighted value	
In € millions		September 30, 2019	December 31, 2019	September 30, 2019	December 31, 2019
Number of points used to calculate averages		12	12	12	12
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	**TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)**			**1,937**	**1,925**
CASH OUTFLOWS					
2	Retail deposits (including deposits from small business customers)	16,550	16,895	1,005	1,042
3	*of which stable deposits*	*13,395*	*13,335*	*670*	*667*
4	*of which less stable deposits*	*3,154*	*3,560*	*334*	*375*
5	Funding not secured by non-retail counterparties	1,543	1,458	811	794
6	*of which operational deposits*	*326*	*340*	*78*	*81*
7	*of which non-operational deposits*	*999*	*889*	*515*	*483*
8	*of which un-collateralized debt*	*218*	*229*	*218*	*229*
9	Funding secured by non-retail counterparties (including repos)			0	0
10	Additional requirements	2,667	2,721	238	249
11	*of which outflows related to derivatives exposures and other collateral requirements*	*66*	*75*	*66*	*75*
12	*of which collateralized debt outflows*	*0*	*0*	*0*	*0*
13	*of which credit and liquidity facilities*	*2,601*	*2,646*	*172*	*174*
14	Other contractual funding obligations	18	18	18	18
15	Other contingent funding obligations	4	4	0	0
16	**TOTAL CASH OUTFLOWS**			**2,095**	**2,126**
CASH INFLOWS					
17	Secured lending (including reverse repos)	23	23	23	23
18	Inflows from fully performing exposures	650	650	432	433
19	Other cash inflows	345	366	325	346
20	**TOTAL CASH INFLOWS**	**1,018**	**1,039**	**780**	**801**
EU-20c	Cash inflows subject to 75% cap	1,018	1,039	780	801
21	Liquidity buffer			1,937	1,925
22	**TOTAL NET CASH OUTFLOWS**			**1,315**	**1,326**
23	Liquidity Coverage Ratio *(%)*			147%	145%

The CMNE Group's monthly average LCR was 145% in 2019, which represents surplus liquidity of nearly €600 million as compared with the regulatory requirements when fully applied. The ratio is managed when it exceeds 110%. In 2019, the monthly average liquid assets after application of the regulatory discounts (weighted value) totaled €1.92 billion.

In connection with the setting up and maintenance of the Group's liquidity buffer, the Finance Committee has approved the following investment principles:

- compliance with the limits set by the Risk Department;
- maximum holding of 5% of the issue amount for public issues;
- maximum amount of €60 million, representing less than 5% of the total liquidity buffer to be set up (€1,300 million).

Net cash outflows at 30 days under the regulatory stress scenario totaled on average €1.3 billion in 2019.

TABLE 49: MATURITY ANALYSIS OF THE PRUDENTIAL BALANCE SHEET – AT 12/31/19

Liquidity risk – Breakdown of maturities for liquidity risk
In € millions

Residual contractual maturities	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity	Total
ASSETS								
Financial assets held for trading			4	12	66	76		158
Financial assets at fair value through profit or loss		12	33	10	493	95	171	812
Financial assets at fair value through equity – recyclable	188	99	390	649	996	218		2,539
Financial assets at fair value through equity – non-recyclable							46	46
Securities at amortized cost	79	18	50				3	150
Loans and receivables (including finance leases)	1,794	489	1,615	1,957	4,460	9,608	6	19,929
LIABILITIES								
Central bank deposits								
Financial liabilities held for trading		2	9	1	79	65		156
Financial liabilities at fair value through profit or loss			89	55				143
Financial liabilities carried at amortized cost	16,804	271	1,369	699	1,453	2,264	4	22,863

4.3.16 Unencumbered assets

4.3.16.1 Information about encumbered and unencumbered assets

Section disclosing the quantity of unencumbered assets and their main characteristics and information on the scale of the expenses relating to the assets (Article 443 of the CRR and EBA guidelines EBA/GL/2014/03).

Since December 31, 2014, and pursuant to Article 100 of the CRR, the Crédit Mutuel Group reports to the competent authorities the quantity of unencumbered assets at its disposal and their principal characteristics. These assets may serve as sureties to obtain other financing on the secondary markets or from the central bank, and hence constitute additional sources of liquidity.

An asset is considered to be "encumbered" if it serves as a guarantee, or can be used contractually, to secure, collateralize or enhance a transaction from which it cannot be separated. In contrast, an asset is "unencumbered" if it is free of any legal, regulatory, contractual or other limitations to its possible liquidation, sale, transmission or disposal.

For illustrative purposes, the following types of contracts satisfy the definition of encumbered assets:

- secured financial transactions, including repurchase agreements, securities lending and other forms of loans;
- collateralization agreements;
- collateralized financial guarantees;
- collateral placed in clearing systems, clearing houses and other institutions as a condition for accessing the service. This includes initial margins and funds against the risk of insolvency;
- facilities given to central banks. Assets already in position should not be considered encumbered, unless the central bank does not authorize the withdrawal of these assets without its prior agreement;
- underlying assets of securitization entities when these assets have not been derecognized by the entity. Underlying assets of retained securities are not recognized as being encumbered, unless the securities in question are used to pledge or guarantee a transaction in some way;
- baskets of collateral created for the issuance of secured bonds. These assets are recognized as encumbered assets except in certain situations where the entity holds these secured bonds (self-issued bonds).

Assets placed in financing mechanisms that are unused and can easily be withdrawn are not considered to be encumbered.

At December 31, 2019, the amount and characteristics of encumbered and unencumbered assets for the CMNE Group broke down as follows:

TABLE 50: ENCUMBERED ASSETS AND UNENCUMBERED ASSETS (TEMPLATE A) – AT 12/31/19

In € millions		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of unencumbered assets
010	**Assets of the reporting institution**	**2,369**		**25,806**	
030	Equity instruments	-	-	49	49
040	Debt securities	1,043	1,019	3,036	3,043
050	*of which covered bonds*	-	-	-	-
060	*of which asset-backed securities*	*228*	*228*	*9*	*9*
070	*of which issued by public administrations*	*89*	*89*	*644*	*531*
080	*of which issued by financial enterprises*	*953*	*953*	*1,900*	*1,785*
090	*of which issued by non-financial enterprises*	-	-	*449*	*595*
120	Other assets	1,322		22,757	

Median values of quarter-end data for the year under review.

TABLE 51: COLLATERAL RECEIVED (TEMPLATE B) – AT 12/31/19

In € millions		Fair value of encumbered collateral received or own debt securities issued	Fair value of the encumbered collateral received or own debt securities issued available for encumbrance
130	Collateral received by the reporting institution	90	-
140	Demand loans	-	-
150	Equity instruments	-	-
160	Debt securities	11	-
170	*of which covered bonds*	-	-
180	*of which asset-backed securities*	-	-
190	*of which issued by public administrations*	*11*	-
200	*of which issued by financial enterprises*	-	-
210	*of which issued by non-financial enterprises*	-	-
220	Loans and advances other than demand loans	-	-
230	Other collateral received	79	-
240	Own debt securities issued, other than own covered bonds or asset-backed securities	-	-
241	Own covered bonds and asset backed securities not yet pledged		-
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**2,468**	

Median values of quarter-end data for the year under review.

TABLE 52: CARRYING AMOUNT OF ENCUMBERED ASSETS/COLLATERAL RECEIVED AND THE ASSOCIATED LIABILITIES (TEMPLATE C) – AT 12/31/19

In € millions	Corresponding liabilities	Assets, collateral received and own debt securities issued other than guaranteed bonds and encumbered asset-backed securities
10 Carrying amount of the financial liabilities selected	1,985	2,382

Median values of quarter-end data for the year under review.

4.3.16.2 Information on the scale of the expenses relating to the assets

At December 31, 2019, the sources of asset encumbrance related mainly to TLTRO transactions with the European Central Bank guaranteed by Group assets and by loans from other financial institutions guaranteed by home loans.

4.3.17 Corporate governance and remuneration policy

This part meets the regulatory requirements associated with Article 450 "Remuneration policy" of Regulation (EU) 575/2013. It supplements the information provided in Sections 2.3 and 2.4 of the governance section.

The Crédit Mutuel Nord Europe Group has set up a number of specialized committees within its governance structure:

- The Appointments Committee

The purpose of the Appointments Committee is to advise the Board of Directors on applications for directorships. It must also assess the balance and diversity of the skills and experience possessed both individually and collectively by the Board's members. It must set targets for the balanced representation of men and women within the Board. At least once a year, it evaluates the composition of the Board and its effectiveness in carrying out its duties. It periodically reviews the Board's policies on the selection and appointment of effective managers. It is made up of the Chairman of the Board of Directors (who cannot be the Chairman of the Appointments Committee) and three directors. In 2019, it met on January 28.

- The Remuneration Committee

Composed of a Chairman who is someone other than the Chairman of the Board of Directors and three federal directors, the Remuneration Committee meets at least once a year to advise the Board of Directors on setting the overall remuneration of the Caisse Fédérale's corporate officers. The Committee also examines the remuneration of executive managers who are not corporate officers and defines the principles governing the remuneration of the corporate officers of the main Group companies. The Remuneration Committee operates under internal regulations. In 2019, it met on January 28, March 11 and October 14.

The characteristics of the remuneration policy are:

- For Caisse Fédérale du Crédit Mutuel Nord Europe

Given the mutualist nature of Caisse Fédérale and the laws and regulations governing it, Caisse Fédérale may not pay its employees, whether or not they are corporate officers, any remuneration other than in cash, with the exception of non-material benefits in kind.

Only corporate officers who are effective managers are entitled to individual variable remuneration.

The remuneration system for employees of Caisse Fédérale, the parent entity and main employer of the Group, including senior management and members of the Executive Committee, consists of a base salary and a collective variable (profit-sharing and incentive system).

For most employees, with the exception of exceptional bonuses that may be awarded at the time of the annual review of the salary situation (amounting to between 3% and 5% of gross annual salary), it does not include an individual variable "bonus"-type element.

In France, the remuneration of effective managers and corporate officers consists of fixed and variable remuneration as well as indemnities for the various corporate offices held in Belgium.

- For Group subsidiaries

The remuneration of the corporate officers of the Group's subsidiaries is governed by the following principles:

- Fixed remuneration that takes into account the economic importance of the subsidiary in the group and the market conditions for comparable employment in a company of similar size.
- Variable remuneration that reflects the company's profitability and its ability to create value over the long term.
- Possible investment in the capital of the company, whatever the form chosen to materialize such investment, whether acquired free of charge or against payment, which cannot call into question the Group's control over the company in question, which is not definitively granted by the company until after a vesting period of two years or more that does not result in a free disposal until after an additional period of two years or more, which is not automatic and is implemented only under the supervision of the company's Remuneration Committee, in compliance with legal constraints on capital increases.

TABLE 53: AGGREGATED QUANTITATIVE INFORMATION ON THE REMUNERATION OF THE CMNE GROUP'S RISK-TAKING POPULATION – AT 12/31/19

In € thousands	Corporate officers	Risk-takers	Controllers	Operational managers	Total
Bankinsurance France and Leasing	1,619	722	770	1,406	4,517
Bankinsurance Belgium	1,298	609	555	1,098	3,561
Asset management	1,750	1,472	683	925	4,830
TOTAL	**4,667**	**2,804**	**2,007**	**3,430**	**12,908**
WORKFORCE AFFECTED	**10**	**12**	**14**	**18**	**54**

4.3.18 Appendices

GLOSSARY

AMA	Advanced Measurement Approach: optional regime, for which the regulator gives individual authorization. An institution's request must be formalized by the submission of an authorization application. In the absence of an authorization for use of the advanced approach, institutions apply the provisions of the standardized, or basic, approach. The latter must, consequently, be regarded as the standard regime applicable by default.
CCF	Credit Conversion Factor: conversion factor for off-balance sheet exposures. It is the ratio between (i) the amount of a commitment that has not already been used, which could be drawn and at risk at the moment of default and (ii) the amount of the commitment that has not already been used. Under the standardized approach, this factor is provided by the regulator. Under the internal ratings-based (IRB) approach, it is calculated by the bank based on a review of the behavior of its own customer-base.
CCR	Counterparty credit risk: risk of loss as a result of the default of a counterparty. RWAs and capital requirements concerning the Credit and Counterparty Risk include the amounts related to the hedging of CVAs inherent to over-the-counter derivatives other than credit derivatives recognized as reducing RWAs for credit risk, as well as RWAs and capital requirements pertaining to contributions to the default fund of a central counterparty.
CRM	Credit Risk Mitigation (CRM) – mitigation of the credit risk by the use of collateral, personal guarantees, credit derivatives and netting or novation mechanisms.
CVA	Credit Valuation Adjustment – accounting adjustment, introduced by IAS 39, to the valuation of the fair value of over-the-counter derivatives (interest rate swaps, whether or not collateralized, etc.). The adjustment involves incorporating a discount equal to the market value of the counterparty default risk into the valuation of products. Technically, this means measuring the difference between the risk-free value of an OTC trading book in the absence of default risk and its value taking into account potential counterparty default. For accounting purposes, the CVA results in a provision in respect of statistically expected losses. Over time, these provisions change in line with the exposures (new contracts and matured contracts) and the counterparty credit quality. For prudential purposes, in January 2014, the CRD IV introduced a capital requirement in respect of the CVA. The aim of this requirement is to cover unexpected losses resulting from significant changes in the CVA related to significant and rapid deteriorations in counterparty credit quality (significant increase in credit spreads). These scenarios are not taken into account in the calculation of the aforementioned CVA provision.
EAD	Exposure At Default: the probable amount of a bank's exposure 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 into equivalent on-balance sheet exposures through the use of internal or regulatory conversion factors.
EFP	*Exigence en fonds propres* (capital requirements). Its amount is computed by applying the rate of 8% to the weighted risks (or RWAs).
EL	Expected Loss: the expected value of the credit loss. It is computed by multiplying the exposure at default (EAD) by the probability of default (PD) and by the loss given default (LGD).
LGD	Loss Given Default: loss in the event of default expressed as a percentage of the EAD: ratio of the loss suffered on an exposure in the event of the counterparty's default to the amount of the exposure at the time of default.
RWA	Risk-weighted assets See RWA.
RWA	Risk Weighted Assets = EAD x weighting rate x LGD. Under the standardized approach, the weighting rate is set by the regulations. Under the internal ratings-based (IRB) approach, it depends on the probability of default and expresses the unexpected losses: RWA = EAD x f(PD) x LGD x 12.5 where f(PD) expresses the distribution of the losses in accordance with a normal distribution and a given confidence interval (the PDs are calculated by the bank but the loss distribution formula and the confidence interval are set by the regulations). 8% of the amount of these unexpected losses must be covered by capital.

ACRONYMS/GLOSSARY OF ABBREVIATIONS AND DEFINITIONS

Acronym	Meaning
ACPR	*Autorité de Contrôle Prudentiel et de Résolution* (ACPR – French Prudential Supervisory and Resolution Authority)
ALM	Asset and Liability Management
AMA	Advanced Measurement Approach
AMF	*Autorité des Marchés Financiers* (AMF – French Financial Markets Authority)
AML-CTF	Anti-money laundering and counter-terrorist financing
AT1	Additional Tier 1 capital
CCF	Credit Conversion Factor
CCR	Counterparty risk
CET1	Common Equity Tier 1
CRD	Capital Requirement Directive European Directive on regulatory capital
CRS	Common Reporting Standard
CSR	Corporate Social Responsibility
EBA	European Banking Authority
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EL/UL	Expected Loss/Unexpected Loss
EMIR	European Market and Infrastructure Regulation
EMTN	Euro Medium Term Notes
ESG	Environmental, Social and Governance
FATCA	Foreign Account Tax Compliance Act
FFIs	Forward financial instruments
FSMA	Financial Services and Markets Authority
G-SIFIs	Global Systemically Important Financial Institutions
GDPR	General Data Protection Regulation
HDP	High Default Portfolio
HQLA	High-Quality Liquid Assets
IARD	*Incendie, accidents et risques divers* (property and casualty insurance)
ICAAP	Internal Capital Adequacy Assessment Process
IDD	Insurance Distribution Directive
ILAAP	Internal Liquidity Adequacy Assessment Process
IMD	Insurance Intermediation Directive

Acronym	Meaning
IMM	Internal model method
IRBA	Internal Rating Based Advanced
IRs	Internal Ratings
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
LDP	Low Default Portfolio
MiFID 2	New Markets in Financial Instruments Directive
MTP	Medium-Term Plan
NEU CP	Negotiable European Commercial Paper
NEU MTN	Negotiable European Medium-Term Note
NIM	Net Interest Margin
NPO	Non-Profit Organization
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
O-SIIs	Other Systemically Important Institutions
ORSA	Own Risk and Solvency Assessment
PEPs	Politically Exposed Persons
PRIIPs	Packaged Retail and Insurance-based Investment Products
PUPA	Plans d'urgence et de poursuite d'activité (Emergency and Business Continuity Plan)
RSN	Redeemable Subordinated Notes
RSR	Regular Supervisory Report
RWA	Risk-Weighted Assets
SCR	Solvency Capital Requirement
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Conditions Report
SMM	Single Monitoring Mechanism
SRAB Law	Law on the Separation and Regulation of Banking Activities
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
STE	Short Term Exercise
T2	Tier 2 capital
TLTRO	Targeted Long-Term Refinancing Operation
TSS	Deeply subordinated notes

LIST OF TABLES AND CHARTS

PILLAR III CROSS-REFERENCE TABLE

CRR Article	Area	Pillar III report reference	Page
435	Risk management objectives and policies	Risk management objectives and policies	66
436	Consolidation scope	Scope of the regulatory framework	70
437	Capital	Capital	74
438	Capital requirements	Capital requirements	84
439	Exposure to counterparty credit risk	Counterparty risk	109
440	Capital buffers	Prudential indicators – Solvency ratio	85
441	Indicators of global systemic importance	Crédit Mutuel Group website	-
442	Adjustments for credit risk	Credit risk	89
443	Encumbered assets	Unencumbered assets – Information about encumbered and unencumbered assets	120
444	Use of external credit rating agencies	Credit risk – Standardized approach	103
445	Market risk exposure	Market risk	114
446	Operational risk	Operational risk	115
447	Equity exposures in the non-trading book	Equity exposures in the non-trading book	113
448	Exposures to interest rate risk for non-trading book positions	Banking book interest rate risk	114
449	Exposure to securitization positions	Securitization	113
450	Remuneration policy	Corporate governance and remuneration policy	122
451	Leverage	Prudential indicators – Leverage ratio	87
452	Use of the IRB approach for credit risk	Credit risk – Internal rating system	104
453	Use of credit risk mitigation techniques	Credit risk mitigation techniques	110
454	Use of advanced measurement approaches	Operational risk	115
455	Use of internal market risk models	Market risk	114

Given that the Crédit Mutuel Group is a mutual group and not listed, and in view of the strength and stability of the Group's business model, the disclosures required under the eighth section of the CRR will be published only once a year. Due to its low risk appetite, the bank's statement of financial position changes very slowly and therefore this information need only be disclosed once a year.

5

CORPORATE SOCIAL RESPONSIBILITY

5.1 EDITORIAL

The CMNE Group moves with the times and adapts its CSR policy to the demands of a changing world. Society as a whole is evolving. What's new is the speed and intensity of the change. It is important to adapt to major upheavals, such as digital and new customer uses, multifaceted competition, increasingly stringent regulations, climate disruption, agricultural transformations, economic and demographic change, etc. These changes are challenges that we see as opportunities to build a fairer and more sustainable society. Many economic players have become aware of their responsibility and are committed to this collective effort. Our Group is no exception, its role as a banker and investor means that it has an even greater responsibility to shoulder.

Our regional bank, CMNE, is growing whilst continuing to be strongly rooted in its regions and their inhabitants. We support local economies because we are convinced that now, more than ever, it is in these local regions that our future lies. A "local economy" is not incompatible with a "global economy": both are required in order to build a responsible financial system.

By serving our local regions and their players, committed to our customers, both individuals and businesses, we can play our part in full. As a local bank, a trusted third party and financial expert, we are at their side, innovating to support them in this age of societal and environmental transition.

In Belgium, our Beobank bank is committed to the same transformation approach, whilst La Française, our asset management group, operates on an international scale and acts as a benchmark for responsible investment.

Our Group takes a responsible corporate approach. Amongst other things, this involves a proactive human resources and training policy, ethical conduct in all our business relations, reducing our environmental footprint, actively contributing to limiting global warming and incorporating climate risk into our investments.

In 2020, the Covid-19 pandemic disrupted the global economy and society. When this crisis is over, our Group will write a new page in its history with a medium-term plan tailored to our new environment. Our vision for society will be one of the key areas of this future plan which will need to respond to the challenges of the decade: support for local economic players, the fight against global warming, responses to healthcare issues and an ageing population, the reconfiguration of rural and urban areas etc.

The NFPS is a reflection of our efforts throughout 2019. Priority was given to the most representative issues, as well as to our non-financial indicators which consistently guide our CSR policy.

André HALIPRÉ
President

Eric CHARPENTIER
Chief Executive Officer

5.2 REVIEW OF 2019

January	Call for a special employees' project launched by the CMNE Foundation Launch of the "Monsieur Digital" series for the digital acculturation of employees
February	CMNE invests in the Winnov project to construct a campus focusing on digital innovation The Foundation is involved in the Homer exhibition at the Louvre-Lens
March	The CMNE Foundation sponsors the Giacometti exhibition at the LaM in Villeneuve-d'Ascq Gender diversity week is held with educational workshops and videos Introduction of bike mileage scheme
April	For the 5th year running, Crédit Mutuel is voted best French banking group by the Global Finance magazine Launch of a video saga on the 4 key areas of CMNE's CSR strategy
May	Participation in Quality of Life at Work week 2nd "Ageing well at home" exhibition
June	European Sustainable Development Week Prizes awarded for the CMNE Foundation's 2019 call for projects on the topic of "Music as a route to inclusion and self-fulfillment for all"
July	For the 8th year running, Crédit Mutuel is voted "Best French banking group" by World Finance magazine
September	Over 100 employees take part in the "World Clean Up Day" movement across CMNE's entire scope Air quality exhibitions held in conjunction with the Atmo association Results of the socio-economic footprint survey conducted by Utopies are published Culture cafes launched by the CMNE Foundation
October	Crédit Mutuel Nord Europe is a partner in the 13th World Forum held in Lille
November	Participation in the European Week for Waste Reduction Participation in Disability Week Community sidewalk sale
December	Christmas market The Crédit Mutuel Nord Europe Foundation launches an appeal for social solidarity projects by its employees with prizes awarded in January

5.3 CMNE GROUP BUSINESS MODEL

Our resources

MEN AND WOMEN

4,116 employees

1,342 elected directors

1.7 million customers and members

A LOCAL NETWORK

520 branches

601 ATMs

25.2 % points of sale in rural areas

FINANCIAL

€3,337 million of shareholders' equity

€812 million in net banking income

INNOVATION

Watson Virtual assistant for advisors [1]

The Cube collaborative approach to innovation [1]

MULTI-CHANNEL

Tools for remote customer relations (applications, electronic signature) [1]

6 regionally-based customer relations Centers [1]

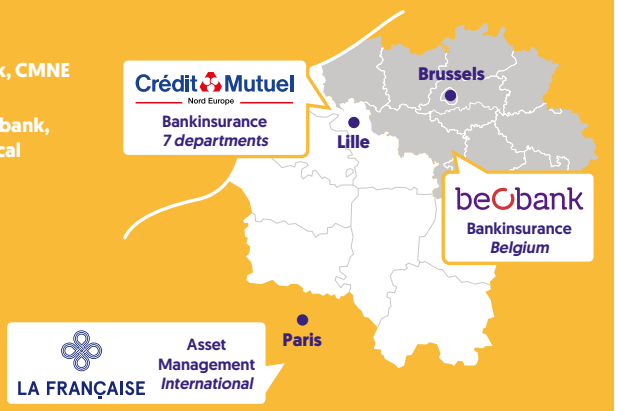
Our model

As an unlisted Euro-regional retail bank, CMNE is committed to its mutualist model.

Two subsidiaries, La Française and Beobank, round out its expertise and geographical coverage.

What guides us

- a bank that is close to its customers and members,
- serving the real economy and the life of the regions,
- involved in societal and environmental issues.



Our customers

- Individuals: **90.3%**
- Professionals: **4.5%**
- Farmers: **1.4%**
- Non-profit: **3.2%**
- Others: **0.5%**

Our value creation

REGIONAL VITALITY

21,200 jobs supported in the CMNE regions [3]

Partner to **460** events

€5.7 million in sponsorship and patronage for local stakeholders

FINANCIAL

Solvency ratio of **23.34%**

SKILLS DEVELOPMENT

Budget of **4.66%** of payroll expense for training

96% of employees trained

€1 million supplementary budget for the development of training (digital culture) and mobility

WORKPLACE WELL-BEING

400 teleworkers on Head Office functions [1,2]

Beobank awarded the international **Top employer** label

SUPPORTING OUR CUSTOMERS [1]

Customer satisfaction of **4.47/5**

Innovative offers inspired by societal changes (flexipropriété, Envolimmo, etc.)

SOCIETAL AND ENVIRONMENTAL COMMITMENT

€2 million *La Française* SRI assets under management [2]

400 microloans granted via our Caisse Solidaire *(social solidarity fund)* [1]

-22% CO_2 emissions since 2014 [1]

The 2019 data are for the Group's scope of consolidation, except for: [1] CMNE scope and [2] La Française scope. / [3] Source: *Utopies* study measuring the socio-economic impact of CMNE cash flows in 2017.

5.4 CMNE GROUP CSR STRATEGY

For some years now, the Crédit Mutuel Nord Europe Group has adopted a Corporate Social Responsibility (CSR) approach by acting to foster and maintain the economic, environmental, labor-related and social impacts of its business.

This CSR approach should help to build long-term growth while also ensuring the performance and stability of the CMNE Group.

Its objectives are clear: we must work as a responsible bank insurer *vis-à-vis* all those concerned and assume the role of territory financier. With its links to mutualism and cooperative governance, CSR also expresses the history of Crédit Mutuel and enhances its brand image.

Today, the CSR approach is fully integrated into the Group's global strategy. An entire section of the "Vision 2020" Medium-term Plan is devoted to CSR. The Group's CSR policy, which is drawn up and shared within the Management Committee, is revised each year in order to adapt the priority issues. This is reflected by new commitments, a stronger organization, contacts in the Group's companies (Beobank, La Française Bail Actea and Bail Actea Immobilier), and a shared knowledge of the objectives.

The CSR strategy covers all corporate sectors transversally:

- **CSR is an element of our corporate performance:** the CMNE Group's entities produce individual and consolidated regulatory statements, including a confederal one, as a result. Analysts or ratings agencies give equal weight to financial and non-financial indicators.
- **CSR is integrated into the risks:** the sustainability risk may create a business risk for customers, a credit risk for the bank and an image and reputational risk for the Group. This risk management relies on sectoral policies, formal processes and trained employees.
- **CSR is based on ethics and regulatory compliance:** it is guided by regulations. The Compliance Department is responsible for ensuring that all our business activities are conducted with integrity and professionalism and in accordance with the law and regulations.
- **CSR involves clear governance**, notably by applying rules governing the independence, ethics and integrity of the elected representatives.

CMNE's CSR strategy breaks down into 4 areas:

- **Investment:** Encouraging the sustainable transition of the economy by means of our product offerings and investments. Supporting local development and finding innovative solutions in response to changes in our customers' behavior.
- **Regions:** Being the bank that opens daily to assist the economic and social development of its regions. Reducing the environmental footprint of our business activities, developing our practices (energies, buildings, virtualization, etc.) and helping to reduce the carbon footprint of our financing.
- **Human Resources:** Enabling all its employees to receive training, feel fulfilled and advance in their careers. Fostering equal opportunities, training, mobility and employee commitment.
- **Governance:** Providing clear governance that respects our mutualist values. Strictly respecting business ethics, and dynamizing and supporting the effectiveness of our cooperative governance.

5.5 ESG MAP

Domain	Causes	Significant non-financial risks	Main preventive and protective measures	Performance indicators
Socioeconomic impact of the bank on its regions	• IT system failure	• Risk of fraud • Risk of loss of net banking income • Risk of a break in service continuity	• CMNE Group security and business continuity policy (EBCP) • Code of ethics and ancillary procedures • Personal data protection guide (GDPR) • Information security awareness policy • European Payment Services Directive (DSP2)	• CFCMNE Global System availability rate (EI) • CFCMNE tele-processing availability rate
	• Poor adaptation of our product offering and our on-demand distribution channels	• Risk of losing customers • Risk of damage to CMNE's image and its relations with members	• Multiple contacts: branch network – Customer Relations Center – website cmne.fr – smartphone app, chat window, etc.	• Average response time for CFCMNE customer complaints
	• Lack of a specific product offering for fragile customers	• Risk of losing customers • Risk of losing stakeholder confidence • Risk of financial penalty	• Fragile customer policy • Fragile customer offering (OCF) and Easy Access (Facil'Accès) • New support measures to encourage banking inclusion (rate freeze, fee cap, etc.) • Caisse solidaire (social solidarity fund)	• Number of microloans granted by CMNE
	• Drop in partnership or patronage actions	• Risk of damage to CMNE's image • Risk of losing customers and attractiveness	• Policy of managing local banks to allocate sponsorship budgets on a local basis • Budget framework	• CFCMNE sponsorship budget
Investing and taking practical steps to reduce the impact of our business on our regions	• Not developing socially responsible investment	• Risk of damage to CMNE's image • Risk of losing customers and attractiveness	• Carbon Zero Club • Investment process	• La Française SRI assets under management
	• Not taking into account the increase in greenhouse gas emissions contributing to climate change in the Group's business activities	• Regulatory non-compliance risk	• Energy audit • Greenhouse gas emissions assessment • Environmentally-friendly behaviors • Awareness-raising initiatives – communication • Recycling: Elise partnership • Eco-mobility plan • Remote working • Hybrid vehicle fleet	• Energy consumption for the Group • Paper consumption for the Group

Domain	Causes	Significant non-financial risks	Main preventive and protective measures	Performance indicators
Human Resources	• Lack of training	• Risks associated with customer relations and sales practices • Risks associated with updating skills • Risks of incorrect professional practices • Risk of failure to respect procedures, lack of ethics, failure to comply with regulations • Risk of poor advice • Risk of non-compliance with regulations	• Training program • 2019: one-off allocation of an additional one million euro for training	• % of payroll costs dedicated to training in the Group
	• Demobilization of employees (management of employees, professional recognition, quality of work life)	• Risk of absenteeism • Risk of high staff turnover • Risk of failure to respect procedures and poor customer advice • Risk of malicious intent, sabotage and internal theft • Risk of damage to customer relations	• Internal system of supporting employees via appraisals • Remote working agreement • Quality of Life at Work agreement • Wage policy • Management training plan	• Change in CFCMNE staff turnover rate • Change in the Group's rate of absenteeism due to illness
Governance/ Compliance	• Lack of training of elected representatives	• Risk of skills mismatches	• Training plan for elected representatives • Code, rights and responsibilities of elected representatives • Cooperative review	• Total number of hours delivered to CFCMNE elected representatives
	• Non-compliance with regulatory procedures	• Risk of internal and external fraud • Regulatory non-compliance risk	• Anti-corruption training • Anti-money Laundering and Counterterrorist Financing (AML-CTF) • Policy on fighting tax evasion • Anti-corruption and internal fraud policy	• % of CFCMNE employees trained in AML and CTF

CFCMNE: Caisse Fédérale du Crédit Mutuel Nord Europe

5

5.6 NON-FINANCIAL PERFORMANCE STATEMENT

The Crédit Mutuel Nord Europe Group is exposed to financial and non-financial risks. It is, therefore, keen to implement policies aimed at securing its customers' savings and responsible loan origination. Protecting property and people is also a major issue. The non-financial impacts of business activity in terms of social, societal and environmental and anti-corruption issues are incorporated at the highest level of corporate governance, through the Group's articles of association and its cooperative operation.

In an environment undergoing radical technological, social and labor-related change, the CMNE Group must give its customers practical answers. To enable it to monitor these initiatives, indicators (KPI) were identified, both at Caisse Fédérale du Crédit Mutuel Nord Europe, and at Group, level.

Territories

The Group opens daily to assist the economic and social development of its regions, whilst incorporating major societal issues; To do so, it innovates whilst remaining close at hand for its customers.

The following major risks have been identified

- Poorly adapted product offering and distribution channels
- IT system failure
- Lack of a specific product offering for fragile customers
- Reduction or drop in patronage and sponsorship actions

KPI

- Response time for customer complaints (CFCMNE)
- Global IT system availability rate (CFCMNE)
- Number of microloans granted (CMNE)
- Budget allocated to partnerships and sponsorships (CVCMNE)

Investments

The CMNE Group wants to make its business activities more sustainable. It is mindful of the impact of its activities on its environment. It is developing a responsible product range for its individual, professional and business customers in order to support them with their own transition.

Major risks identified

- Failure to develop Socially Responsible Investments (SRI)
- Not factoring in the increased greenhouse gas emissions

KPI

- SRI assets under management (La Française)
- Energy and paper consumption (Group)

Human Resources

The CMNE Group is building the "bank of the future" with its "present day employees". To do so, it is investing in training and is developing its employees' mobility and skills.

Major risks identified

- Lack of training
- Employee demobilization

KPI

- % of payroll costs dedicated to training (Group)
- % of turnover (CFCMNE)
- Rate of absenteeism due to sickness (Group)

Governance

The governance of all CMNE Group entities ensures ethical and trustworthy practices. The CMNE can be distinguished by its mutualist identity.

Major risks identified

- Lack of training of elected representatives
- Non-compliance with regulatory procedures

KPI

- Total number of hours of training received by the elected representatives (CFCMNE)
- % of employees trained in combating money laundering (CFCMNE)

5.6.1 Regions

As a local banker, the CMNE Group promotes and supports economic growth, employment and innovation across its regions through financing, investments and involvement in different economic ecosystems. As a committed player, the Group also contributes to the cultural and sporting life of its regions. It provides financing, jobs and support for its regions. CMNE's regional focus covers a wide range of topics: sponsorship, patronage, Foundation, fragile customers, Caisse Solidaire, internal and external IT accessibility, cognitive solutions offering high-quality customer service, etc.

- **Our commitment:** to be the bank that opens daily for the economic and social development of its regions, as a result of innovative solutions that respond to changes in customer behaviors, whilst maintaining a local, high-quality service.
- **Our major identified non-financial risks**:
  - Poorly adapted product offering and distribution channels;
  - IT system failure;
  - Lack of a specific offering for fragile customers;
  - Reduction or drop in patronage and sponsorship actions.
- **Our monitoring indicators**[1]:

Name of indicator	2019	2018	Comments
Change in average response time for complaints	12.37 days	13.00 days	• Proactive approach to picking up complaints • Online training in complaint management for all network employees and Customer Relations Center staff • Systematic complaint escalation in the internal tool
Change in global IT system availability rate	99.42%	99.62%	• Increase in IT system reliability as a result of pooling resources with Euro Information
Change in budget allocated to partnerships and sponsorships	€3.24 M	€2.70 M	• More comprehensive partnership with the locally produced Séries Mania festival in Lille, which is broadcast nationally • Support for Pierre Mauroy Stadium events
Number of micro loans granted during the year	402	426	• The goal is to do better in terms of "quality rather than quantity" • Overall amount: €882,000 in 2018, €890,000 in 2019

- **Our policy mechanisms:** fragile customer policy, local customer relations as a result of multi-channel contact methods (physical agencies, cmne.fr website, Customer Relations Centers, etc.), Caisse Solidaire, guide to beginning new customer relations, SPOT tool (service quality assessment), CMNE Group security and business continuity policy (EBCP), code of ethics and related procedures, personal data protection guide (GDPR), information security awareness policy, availability and reliability of IT systems (internal and external), customer surveys, community microloans, Company Foundation.

The Group is mindful of customer relations and satisfaction

Measuring customer satisfaction

To **measure and improve the quality of customer relations**, CMNE is introducing measures to enable it to listen to both its satisfied, and unsatisfied, customers, via a number of different channels. That is the aim of the **SPOT** initiative, launched in 2017 ("on-the-spot" customer satisfaction measurement). CMNE obtained a 4.47/5 rating in 2019 (up 0.05 points).

A customer satisfaction survey (prepared customer satisfaction measurement) supplements this mechanism. In 2018, CMNE obtained a rating of 8.1 (compared with 7.9 in 2015 and 7.8 in 2012). Satisfaction mainly depends on the advisor, email exchanges and how the customer was dealt with in the branch.

In February 2019, CMNE was the first banking group **to publish customer satisfaction ratings** for each of its points of sale, **on its website and on Google**.

Every year, the Crédit Mutuel Group receives a number of **national or international awards** (The Banker, baromètre Posternak-Ifop, Global Finance and World Finance magazines), which throw the spotlight on "banks that show that they pay particular attention to their customers' needs".

Managing customer complaints

The Customer Relations Service is a team dedicated to following up **customer complaints**. It ensures that direct complaints are dealt with rapidly and effectively, whatever the channel used to make the complaint. The service supports the branches by responding to their dissatisfied customers.

(1) As part of a process of continuous improvement, the CMNE Group identified risks, ensured that said risks were covered by internal policies, charters, codes, etc. and then identified several non-financial indicators to monitor its level of involvement.

All network employees and Customer Relations Center staff have followed online complaint management training, delivered via a single, centralized tool. CMNE has a proactive customer complaint policy and wants to improve traceability. Raising awareness amongst all bank employees resulted in an 8% increase in the number of complaints recorded. The complaint response time fell, year on year: 12.37 days in 2019, compared with 13.00 in 2018. The quality initiative is key to this mechanism: making complaints a driver of improvement.

CNME is responsible for training and educating customers. **The "Le mag" section** of the cmne.fr website deals with topical issues relating to banking services. In 2019, a series of computer graphics responded to questions such as "Why wage is not everything, why choose a mutual bank, why take out a life insurance policy, why has my bank card been blocked and payment refused, etc." Topics relating to the financing of energy transition, phishing and cybercrime are also dealt with.

CMNE is in partnership with **Economitips, a newsletter** published every Monday and Thursday, which takes an original anecdote and uses it to teach its audience about the economy in a fun way.

A Group connected to its environment

Branches are adapting

Customers are on the move, ultra-connected, pushed for time, demanding and increasingly autonomous. In order to adapt to this new way of "consuming the bank", CMNE has chosen **modularity**. Points of sale may only be open by appointment, either for a half, or a whole day. By the end of December 2019, more than half of CMNE's network of local banks was involved in this modular approach.

Beobank is developing a new **"open" branch** concept, which transforms bank branches into meeting spaces and puts the emphasis on advice, service and local knowledge.

As a result of its branch network and regional locations, CMNE is the very model of a bank that is close to its customers and works on the basis of "short supply chain" logic: **95% of loan decisions are taken locally**, in branches.

The CMNE Group supports **farmers, retailers, artisans, professionals and businesses**, from their creation through to their growth and transmission phase. To support these customers, CMNE finalized the restructuring of its network dedicated to professional customers: **25 professional advice spaces and 7 SME business centers** housing specialist sales teams (asset management, real estate leasing, agricultural/NPO experts). There is also a business center specifically designed for medium-sized entities (ETI).

Beobank also launched its **Centres Pros**, concept, taking traditional banking services a step further. Workshops and networking events were held. Customers can also access free work spaces.

A Group which takes up societal challenges

Technology at customers' service

Crédit Mutuel Nord Europe enables its customers to access new technologies, thereby facilitating smoother exchanges. In 2019, electronic signatures were rolled out across tablets in branches and for customers on cell phones. The recent appearance of **"cognitive" solutions**, capable of automatically handling natural language and learning, is behind the launch of the Watson tool used within Crédit Mutuel. The tool provides the customer relationship manager with an **email analyzer** (prioritizing reading order) and a **virtual research assistant**, enabling customers to be given a rapid and reliable response. The challenge for these tools is to free up customer relations managers' time and respond more efficiently to customers' needs. **OCR (Optical Character Recognition) technology** improves data quality, reduces the number of administrative tasks for customers and helps to comply with regulatory obligations.

The IT system accessible to employees and customers via the website or app has a high rate of **availability and reliability of 99.42%**. Customers can obtain a secure connection whenever they wish.

A dedicated IT system security team ensures that information is used, stored and transferred correctly. Crédit Mutuel collects and processes its customers' **personal data** and corporate data securely using procedures and tools that guarantee its correct use and, above all, protection. This personal data is used to supply relevant services and advice.

Business Continuity Plans make it possible to plan ahead for, and cover, the destruction of premises, major IT crashes and the maintenance of essential corporate services. Crisis management scenarios are designed to ensure the reliability of mechanisms and systems set up to deal with exceptionally serious events.

Housing

Given that the market is very fast-paced in major cities, with an ever-increasing price per m^2 as well as societal changes (ageing population, single parent families, housing issues, etc.), CMNE has devised some **innovative solutions**. Several products were launched in 2017/18 and bore fruit in 2019:

- ***flexipropriété***: acquisition of use of housing with a discount on purchase of 30 to 40% of the sale price;
- ***envolimmo***: a new financing method, particularly attractive in a low-rate environment, enabling budgets to be increased in regions where the market is moving fast.

Aging population

In addition to co-financing seniors' residences, and to tackle the new challenges with which society is faced in the light of an ageing population, CMNE set up a working group to present a packaged care product offering, a personal protection product offering and specific dependency-related financing. Five exhibitions on the topic of **"ageing well at home"** were held across the region. Under one roof, customers can find out about the energy performance of their home, adapting their home or even moving home, as well as making it secure. They can also obtain gifting/inheritance advice from a wealth manager.

CMNE relaunched and modernized its **Viager (retained life estate)** solution which enables senior customers to "monetize" their real estate in order to boost their purchasing power, finance their old age and enable them to remain in their own homes for longer.

Since 2011, CMNE has marketed **new real estate**.

A working group arising from the CMNE innovation initiative looked at **the issue of "care givers"** (people who support a close relative with care needs: illness, disability, old age, etc.) with the aim of managing and protecting the sick person's finances, helping them to grow old well in their own home, supporting and facilitating their future plans, proposing sheltered housing solutions and offering personal protection products etc.

The La Française Group is a founding member of the Palladio Foundation which joined forces with La Fabrique de la Cité to create the Université de la Ville de Demain to respond to demographic, digital, social and environmental challenges.

CMNE and La Française support research via the Pierval Santé REIT sharing fund. CMNE donates 0.5% of its yearly fund raising to the Institut du Cerveau et de la Moelle Épinière, and this is topped up by a further 0.2% from La Française. A check for €147,455 will be handed over for funds raised in 2019.

A Group that supports customers in a fragile financial position

A dedicated fragile clientele policy

CMNE is mindful of customers who are experiencing difficult periods in their lives or who are under financial pressure. To support them, it has set up a **fragile customer policy** fostering banking inclusion. Employees who are in contact with these types of customer are also trained to give better advice.

In addition to regulatory obligations, CMNE is committed to improving the content of its product offerings and the speed with which it deals with vulnerable people. It is a question of finding a model that is both fairer for the most disadvantaged customers and comes at a fair price for CMNE.

Caisse Solidaire

Since 2005, CMNE, via **the Caisse Solidaire** (social solidarity fund), has offered **personal microloans**. This alternative solution for customers who are not eligible for traditional loans due to their low credit score offers consumer credit of between €300 and €5,000 over a period of 6 to 60 months. These loans are to cover needs relating to mobility, training, household appliances and family events. This has been made possible through partnerships with non-profits or public bodies specializing in identifying and supporting projects aimed at people who are normally excluded from accessing the banking system. Over the course of the year, 402 microloans, amounting to €890,000, were granted. These figures have been stable for a number of years now.

The CMNE Group: more than just a banker

Music

CMNE, a local bank par excellence, supports and encourages musical, sporting and cultural initiatives across its regions. In 2019, over €3 million were devoted to these projects, including over €1 million on music (+20% in 10 years). CMNE has built very strong links with the organizers of the Main Square Festival, Cabaret Vert, the Le Touquet Music Beach Festival, the Magnifique Society etc., and has supported concerts by the groups Indochine and NTM and the Orchestre National de Lille.

CMNE ensures that music can be accessed by disabled people. For this reason, it entered into a partnership, for the 2nd year running, with the Clin d'œil festival in Lille, aimed at the deaf and hard of hearing.

Culture and film

Since 2017, CMNE has supported the Séries Mania Lille/Hauts-de-France festival, a festival not to be missed by box set fans. This partnership was strengthened in 2019, helping to improve the scope and attractiveness of the two regions.

Sport

Sport is the other main area of development and was allocated a budget of €1.5 million by CMNE (football, cycling, cross-country races, golf, handball, basketball, etc.). CMNE's local banks invest in regional life by supporting sporting associations and local events. A total of 596 events and partnerships were supported in 2019, including 513 local events.

CMNE encourages people with disabilities to play sport. In 2019, CMNE supported the athlete, Redouane Hennouni Bouzidi, originally from Amiens, to prepare for the 1,500-meter race at the Tokyo 2020 Paralympic Games.

Beobank shares the same values as CMNE and supports sporting events involving cycling, handball, running, etc. In 2019, the bank supported cancer research by forming three "Beobank Cycling" teams which pedaled 1,000 km and raised €15,000 for cancer research. Beobank, KRC Genk and Vincentius, a voluntary organization focusing on poverty, sponsored and supported the "De Warmste Maand" (the hottest month) charity campaign by collecting 35,000 kg of non-perishable foodstuffs.

The CMNE Foundation

Since 2013, the CMNE Foundation has encouraged growth in its regions by focusing on three areas: culture and knowledge, social action and sustainable development, and lastly, the entrepreneurial spirit. The overall budget of the CMNE Foundation and its Executive Management in 2019 was €1,301,682. Every year, it launches a call for projects on societal issues. In 2019, and echoing Crédit Mutuel's historical commitments to music and culture, the chosen topic was "music as a route to inclusion and self-fulfillment for all". Sponsored by Alexandre Bloch, Musical Director of the Orchestre National de Lille, this challenge, with an overall budget of €150,000, aimed to support access to music for all and to prove its benefits for health and wellbeing. The CMNE Foundation also sponsored the Giacometti exhibition put on by the Musée du LaM in Villeneuve-d'Ascq, near Lille.

Through its Foundation, CMNE is a partner of the Musée du Louvre Lens which puts on major exhibitions such as the one on Homer, as well as the musée des Beaux-Arts in Lille.

Initiatives to overcome illiteracy

Because reading is a basic tool for social and cultural inclusion, Crédit Mutuel Nord Europe has joined forces with the Crédit Mutuel Foundation Reading Unit and committed to initiatives responding to the emergency situation regarding illiteracy across its regions. Over 2,000 national, regional or local initiatives have been developed and supported by the Crédit Mutuel Foundation Reading Unit since its creation in 1992. Selected on the basis of their innovative nature and sustainability, these initiatives each have a singular role to play in the emergence of learning communities and communities of reading practice.

5.6.2 Investments

The CMNE Group was set up in a land of entrepreneurs. As a result, it invests locally and is committed to supporting the economic development of each region, on five key markets: individuals, professionals, farmers, non-profits and businesses. Each player is faced with climate change-related challenges. The role of the CMNE Group, through its retail banks and asset managers, is to finance the energy transition to a low-carbon economy.

The CMNE Group wants to make its business activities more sustainable. It is particularly mindful of the impact of its business activities on its environment. It is developing a responsible product range for its individual, professional and business customers in order to support them with their own transition.

- **Our commitment**: to be an exemplary company that invests in its regions and takes practical steps to reduce the impact of its business activities on its environment.
- **Our major identified non-financial risks**:
  - Lack of development of SRI;
  - Not factoring in greenhouse gas emissions.
- **Our monitoring indicators**[1]:

Name of indicator	2019	2018	Comments
Change to SRI assets under management as a% for the La Française Group	4.5% of mutual funds and mandates	6% of mutual funds and mandates	• Slight drop in the % of SRI assets under management due to the disposal of a portfolio that was heavily invested in SRI funds
Change in the Group's energy consumption	25,133,388 kW/h	26,740,112 kW/h	• LED lighting in banks – withdrawal of fuel oil – intelligent thermostats – discontinuation of energy-intensive sites
Change in the Group's paper consumption	271.6 tonnes	388 tonnes	• Dematerialization • Electronic document management • Electronic signature • Badge printers

CMNE's target for reducing greenhouse gas emissions over the 2019-2023 period was -287 teq CO_2.

- **Our policy mechanisms**: sectoral policies (coal-fired power plants, civil nuclear energy, mining and defense), Greenhouse Gas Emissions Assessment and action plan, document dematerialization (electronic document management), electronic signature, eco-gestures portal, eco-mobility, teleworking agreement, hybrid vehicles, recycling with Élise (harmonization of head office and network practices), sustainable investment strategy and incorporation of ESG issues (IPCM) by La Française, energy audits.

Supporting sustainable economic activity across its regions

Financing the energy transition

CMNE is a local bank, rooted in the local community and working hand-in-hand with local economic players. It invests across all markets. As a result of its role as a financier and investor, CMNE supports 21,200 jobs across its regions (source: Étude Utopies 2018). In 2019, it wanted to focus on supporting its stakeholders' energy transition.

In addition to **interest-free eco-loans** (106 in 2018 and 281 in 2019), **short-term and long-term energy saving loans**, **solidarity savings** and **financing renewable energy projects**, CMNE launched a €20 million loan package to support its customers' CSR plans (infrastructures, renewable energy, energy-efficient buildings, clean equipment, etc.). This mechanism aims to encourage customers and prospective customers to make their responsible development projects a reality by offering them loans at **subsidized rates**.

CMNE markets its **ecomobility product** to private individuals and professionals, enabling them to change their car to a more environmentally-friendly model at attractive rates. The "LOA Vélo électrique" electric bike product is due to be marketed in 2020.

The Transition Loans product is aimed at businesses and includes three types of loan. The **"Energy transition"** loan is to facilitate sustainable investment and/or energy savings (energy efficiency work, hybrid vehicle purchase, etc.). The **"Digital transition"** loan helps businesses to finance their digital equipment, targeting growth and increased competitiveness. For businesses wishing to improve their CSR policy, CMNE has the **"CSR transition"** loan.

For its part, Beobank offers **eco-loans** at an attractive rate (1.99% for up to 84 months with a maximum loan amount of €50,000 and 4.25% in excess of 84 months and/or €50,000) for customers wishing to invest in energy-saving projects.

(1) As part of a process of continuous improvement, the CMNE Group identified risks, ensured that said risks were covered by internal policies, charters, codes, etc. and then identified several non-financial indicators to monitor its level of involvement.

Remaining vigilant when it comes to financing polluting industries

Sectoral policies

The CMNE Group has introduced sectoral policies to specify financing rules in sectors such as coal-burning power plants, defense, civil nuclear energy and the mining industry.

ESG criteria

In line with its responsible investment policy, the La Française Group has adopted a high profile position on environmental protection and the transition to renewable energy. Increasingly, it systematically incorporates environmental, societal and governance criteria into its investment decisions as a result of the proprietary methodology operated by its **Inflection Point by La Française research center**.

In addition, La Française does not invest in companies involved in anti-personnel mines and cluster munitions. A list of these companies is updated on a regular basis by Sustainalytics. La Française has signed the **"Manifesto to Decarbonize Europe"**, which calls on the European states to immediately implement policies able to achieve greenhouse gas emissions as close to zero as possible by 2050.

Financing responsible projects

Participating in the sustainable development of its regions

CMNE financed the **BIOTOPE** building which has housed the new Métropole Européenne de Lille headquarters since early 2020. This building has the "TOPSITE" label (health, environmental, social/societal and quality/customer satisfaction criteria). CMNE is also in partnership with **Euratechnologies**, near Lille, the 1st incubation/acceleration lab in France with an ecosystem dedicated to entrepreneurship and innovation, currently accounting for 3,500 jobs and 165 start-ups. Crédit Mutuel Nord Europe, through its subsidiary, La Française, which operates Société Foncière et Immobilière Nord Europe, invested via the **Wenov** project. This is an urban and societal development lab, measuring over 23,000 m^2 with offices and services operating in line with new ways of living and working. This project is a key economic development tool for Hauts-de-France.

Financing the agriculture of tomorrow

Historically, CMNE has supported agriculture in terms of day-to-day management, modernization and developing agricultural holdings. In the light of environmental challenges, CMNE is developing solutions to enable it to **support farmers as they transition**: development of organic farming, short supply chains, and more generally, **projects involving the conservation of natural resources** (production of renewable energy via photovoltaic panels, or agricultural methanization projects).

In addition, a partnership with the "Blue Bees" funding platform enables individual entities to help to develop these projects.

Being aware of the challenges associated with developing **agricultural methanization** across its scope, CMNE is positioning itself as an industry player (Hauts-de-France is the French and European leader in injected biogas): over the last three years, €27.5 million has been granted to fund 15 units. In addition, CMNE is involved in **major regional events** within this industry, such as, "Métamorphose", organized by the Collectif Opérationnel Régional Biométhane Injecté, "Méth'agri Day", organized by the Chamber of Agriculture as well as "Expobiogaz Lille".

Lastly, CMNE tailors its product offering and its support, in terms of cash flow, when major disasters occur, such as, the fire at the Lubrizol plant in Rouen, support for sugar beet producers when payment was delayed for the harvest, etc. The aim is to enable corporate customers to withstand market fluctuations i.e. shifting or suspending due dates, cash advances etc.

A committed Asset Manager: the La Française Group

As a multispecialist asset management group and a subsidiary of the Crédit Mutuel Nord Europe Group, La Française is a highly principled real estate and financial asset manager.

In a fast-changing global environment impacted by environmental and societal issues, in 2019, La Française has consolidated its positioning as a **responsible player** by structuring its approach around the creation of a dedicated cross-disciplinary management team, evidence of its commitment to involvement in international efforts to direct capital towards financing the energy transition and reducing greenhouse gas emissions.

As a responsible asset manager, La Française is convinced that it is vital to integrate these major changes. Changes are also opportunities to reconsider the future, by identifying new performance drivers, so that saving becomes a way of operating. This sums up the approach taken by the La Française Group, made possible by **its Inflection Point by La Française non-financial research center**.

This ESG and climate center has developed a method of calculating the carbon footprint of companies held in La Française Group's equity and bond portfolios. In 2019, this center of expertise adapted its methodology to bank lending so as to **supply carbon footprints** to its shareholder, CMNE, and more widely, to Crédit Mutuel.

The "Club Zero Carbon" set up by La Française supports institutional investors needing to **decarbonize their portfolios**. In 2019, Nadine Viel Lamare, Director of the Transition Pathway Initiative (TPI) and Philippe Charlez, an energy expert from the Institut Sapiens, joined the La Française Zero Carbon Club.

Two La Française equity funds and one bond fund were awarded the **SRI label** by EY France, a specialist audit firm and consultancy. This label is a testament to La Française's sustainable asset management expertise and its capacity to "reconcile economic performance and social impact". It manages more than €2 billion in responsibly invested assets, over €421 million of which are SRI labelled.

Acofi, a La Française Group subsidiary dedicated to direct financing of the economy, invests in **renewable energies** (mainly in the form of wind farms) and so also plays a role in financing the energy transition.

The "responsible" product offering which was, historically, targeted at institutional customers as a priority, is no longer exclusively reserved for this audience and, little by little, is being opened up to retail customers.

Combating waste

Numerous initiatives are implemented every year to raise employees' awareness of "eco-friendly behaviors". La Française and CMNE both held a **sidewalk sale** at the end of the year in aid of charity (breast cancer and homeless charities). With the advent of new work spaces, CMNE **donated IT, telephone and office equipment to charity**. At Beobank, uneaten meals from internal events are redistributed to the non-profit *Foodlovers*, which has an agreement with the Maison'elle refuge. The manager of the company restaurant at the Brussels head office has developed an action plan to reduce food waste.

Beobank also installed boxes for both French and Dutch books, at the Brussels head office, so that colleagues could share their positive reading experiences.

Under current regulations and as a result of its business activity, the CMNE Group is not affected by issues such as food insecurity; animal welfare, responsible, fairly traded and sustainable food.

Taking action to protect the environment

Managing and reducing the Group's carbon footprint

Because it operates within the service industry, the CMNE Group is not a big polluter. It is, however, committed to initiatives to reduce its greenhouse gas emissions. Since 2011, both CMNE and La Française have conducted a **Greenhouse gas emissions assessment**. In 8 years, CMNE has **reduced its CO_2 emissions by 22%**. This reduction was due to a significant drop in the use of electricity, gas and paper, the withdrawal of fuel oil heaters and the discontinuation of energy intensive sites, the installation of LED lighting in banks, centralized heat management in head offices and the gradual changeover to diesel and hybrid service vehicles. The La Française Group is also mindful of limiting its air travel.

CMNE has just published **its 3rd action plan** for the 2019-2023 period. It would like to reduce its consumption even further by adding connected intelligent thermostats to electric convector and gas heaters in branches, Ecobags that save 2.5 liters of water every time a toilet is flushed and flow restrictors on taps. **Teleworking**, which was rolled out two years ago for the vast majority of employees at CMNE and La Française head offices, also helps to reduce greenhouse gas emissions caused by commuting.

Regulatory energy audits (every four years) were conducted at CMNE in 2019 by sampling 17 local banks and 4 head office sites. Bureau Veritas, which was responsible for these audits, reported the results on the ADEME website. Two labels were issued: one for "energy performance" and the other for "climate" (greenhouse gas emissions). The results are in line with the targets set within the context of the greenhouse gas emissions assessment, particularly with regard to heating and insulation (loft space).

Responsible resource management

The CMNE Group's consumption of natural resources continues to be limited and primarily involves paper. The main driver of a reduction in the consumption of paper sent to customers ranges from **dematerialization to electronic signing of offers,** which continues in 2020. The Group is continuing its efforts to reduce the volume of paper used (two-sided printing, badge printers, electronic document management). In addition to monitoring its paper consumption, the Group also keeps an eye on procurement: paper is PEFC and FSC-certified and the use of recycled paper has been rolled out across the entire Group. Beobank launched the **"Zéro Paper"** project at its head office to change working methods.

In terms of waste, since 2007, Élise has been responsible for the majority of the **waste recycling** carried out at CMNE. Individual waste bins have been replaced by communal waste sorting bins shared by each department/branch and this is also the case at La Française. Employees at the CMNE head office also had the opportunity to visit the Élise site to understand the importance of "correct sorting". CMNE was also involved in the "World CleanUp Day" movement on September 9, 2019, across all its regions. Over 100 employees took part in waste picking campaigns.

Over 600 kg of plastic cups were thrown away in 2019 at CMNE. Even when they are sorted and recycled, these cups have a major environmental impact. At the end of 2019, CMNE **withdrew plastic cups**. A 100% local solution was found: cups made from flax, designed by a northern start-up, manufactured in Picardy and produced locally. La Française, as well as Beobank, replaced their plastic cups with cups made from recycled cardboard and distributed these eco-cups which were then customized by the employees themselves.

Raising awareness and training employees in best practices

The CMNE Group is taking a number of different measures aimed at reducing employee travel (videoconferences, teleworking, etc.) and encouraging the use of low-carbon means of transport (car-sharing, public transport, bikes, etc.). **A Company Travel Plan (PDE)** was introduced in 2016 for employees at the Lille head office. Hybrid service vehicles are available for business travel over short distances, as well as secure bike storage. The car fleet policy was amended to encourage employees to choose hybrid vehicles. Average CO_2 emissions fell from 107 g in 2015 to 87 g in 2019. The cap on the CO_2 consumption of company vehicles is also regularly revised down. An average CO_2 emission rate for company vehicles was set, falling from 121 g of CO_2 per km in 2014 to 106 g in 2019.

5.6.3 Human resources

People are at the heart of the CMNE Group. The aim is to see employees get involved, feeling comfortable in themselves, being open to change, both in terms of profession and support. During this period of deep and rapid change, all banking sectors have been impacted. Employees have to adapt (jobs, digital tools, etc.), evolve and move with the times. How? Through a robust internal mobility and training policy, as well as support for employees with regard to job transformation and the switch to digital.

Human Resources also raises issues such as quality of life at work, teleworking, disability, diversity, equal opportunities, employee commitment, etc.

- **Our commitment**: to provide training, self-fulfillment and career development for all employees.
- **Our major identified non-financial risks:**
  - Lack of training;
  - Employee demobilization.
- **Our monitoring indicators**[1]:

Indicator description	2019	2018	Comments
Change in the % of payroll costs dedicated to Group training	4.66%	4.86%	• CMNE invested an additional €1 million in supporting professional mobility and digital acculturation
Change in CMNE staff turnover	5.36%	4.41%	• More people retiring
Change in the Group's rate of absenteeism due to illness	4.70%	4.60%	• Stable

- **Our policy mechanisms:** Quality of Life at Work (QVT) and teleworking agreements signed in late 2018, wage policy, disability and job retention, annual appraisals, mandatory annual wage talks (including employee profit-sharing), training catalog, internal employee support mechanism via appraisals, management training plan.

Trained employees

The resulting training budget

As part of its transformation process, and reaffirming its intention to build "the bank of the future" with its "present day employees", the Group is investing heavily in training. HR teams were mobilized to enable employees to adapt. In November 2018, an additional €1 million was added to the training budget to support a proactive head office mobility plan, job transformation and employees' digital acculturation.

The Group's training-related engagement level continues to be high: 96% of employees were trained in 2019. This engagement accounted for 4.66% of the Group's payroll in 2019, with a significant increase in investment, up from 5.65% in 2018, to 6.75% for CMNE.

2019 was marked by an increase in digital transformation-related training at CMNE. The **"Culture D" Web-series**, digital passports and digital workshops expanded employees' skills and helped to make the use of digital tools more uniform across generations, throughout the business. To provide more information on the world of data and its challenges, **"Data Thursday" conferences** were held between November 2019 and March 2020, with one a month on topics such as Big Data, data jobs, etc.

In addition to digital, training had to be tailored to new professional training reforms and the hike in the volume of regulatory training courses. The Insurance Distribution Directive, the Mortgage Credit Directive and the Alur Law also placed constraints on network training. They account for 1/3 of the training days delivered.

Beobank's training division spent the majority of its budget on supporting employees in the EOLE IT migration project, on upskilling employees in relation to insurance products and products designed for the professional market. Synergies were achieved with French teams which passed on best practices across borders.

Mobility encouraged

CMNE encourages internal mobility both for network and head office employees. With this goal, **a mobility forum** was held in October 2019 with over 260 head office employees who discovered, or rediscovered, job roles presented by employees themselves. Ahead of this forum, videos were made about different jobs and were disseminated internally, in conjunction with the HRD, so the employees could gain better idea, and a better understanding, of certain job roles.

5

(1) As part of a process of continuous improvement, the CMNE Group identified risks, ensured that said risks were covered by internal policies, charters, codes, etc. and then identified several non-financial indicators to monitor its level of involvement.

In partnership with an external firm, a number of **workshops** were organized (CV writing, how to present a career in just a few minutes). Human Resources, together with this external firm, also offered employees the opportunity to volunteer to take part in **collective professional assessments** to enable these employees to look ahead to CMNE job roles in line with Group needs. In-post follow-up and individualized coaching will also be organized to guarantee the project's success. One single objective: win-win situations in terms of mobility.

Encouraging intergenerational relations

CMNE assessed the measures put in place under the Generation Contract agreement. It focuses on 3 points: the sustainable integration of young people into working life, the transmission of know-how and skills, organizing intergenerational cooperation and job retention for seniors.

Integrating young people into working life

CMNE achieved its goals in terms of recruiting young people under the age of 27 (averaging 42.8% of new hires). Upon arrival, these new hires follow a tailor-made, personalized induction and training program. Since 2019, managers have also had access to a **practical guide to "employee arrivals and departures"**. The Human Resources Department also offers all permanent hires under the age of 30 an appraisal at the end of their 1st year with CMNE. During the 2018-2019 academic year, CMNE continued its work-study training policy, welcoming 72 young people (19 of whom stayed on after the first year), who were mainly first and second-year Masters students.

Supporting the second stage of an employee's career

Employees aged 45 and over, considered to be in "the second stage of their career", are provided with a specific mechanism and support via dedicated HR appraisals. For employees coming to the end of their career, CMNE offers information meetings on **retirement and phased retirement**. In 2019, over 150 employees aged 57 and over attended these meetings and were reassured about their plans for retirement. The business values **skills transfers between the generations** and prioritizes employees over the age of 55 acting as mentors for interns or students on work-study placements.

Employees who feel comfortable in their working environment

Quality of Life at Work

For a number of years now, the banking sector has been undergoing rapid changes. These complex transformations affect operating processes, jobs, working methods and relationships.

CMNE is particularly mindful of the impact of these changes on its employee's quality of life at work. It is careful to plan ahead for these disruptions and their effects on organizations and working conditions, in particular, by increasing the amount of support available to employees. **A new agreement, signed in December 2018**, covered many subjects such as achieving a better work/life balance, organizing working time, the quality of working relations, the right to disconnect, health in the workplace, management of antisocial behavior, sexism, harassment and violence in the workplace, etc.

Every year, as part of the **Quality of Life at Work Week**, HR teams put on entertainment to raise teams' awareness of the benefits of a positive environment. In 2019, music was the theme for the year, with an award for a group made up of employees.

Physical and sporting activity contributes to **employees' wellbeing**. It is with this aim that employees at the head office in Lille have access to a **sports hall** offering classes and a gym with free access to fitness apparatus. A sporting association, CMN Ensemble, also offers outings and participation in sporting events (biking, motorbike riding, hiking, running, etc.).

As part of the experimental NESTIC **(Nouvel Espace Siège de Travail Innovant et Collaboratif) project on new and innovative working space**, the Marketing Department's premises were totally redesigned, in conjunction with the teams, in response to four major challenges: to work more collaboratively and gain in cross-cutting cooperation, roll out innovation across work spaces and methods, offer a tailored response to new ways of working (teleworking, cross-cutting cooperation, projects) and help to improve wellbeing at work.

CMNE network and head office employees can access the services **of a corporate concierge system** which was set up 5 years ago. Employees can access different services (ironing, cleaning, childcare, gardening, etc.) via people available in person on a permanent basis at the Lille head office, and via a 24-hour phone service across the network.

The CMNE Foundation launched a conference cycle entitled **"Les cafés culture de la Fondation"** for employees. Conferences are held between 12:00 and 14:00 and led by speakers from the cultural sector on their subject of choice, followed by an informal chat and a coffee.

If employees encounter personal difficulties, **a social worker** is available 3 days a week to meet with them by appointment. **A counseling service** is also available free of charge. If antisocial behavior is experienced as a result of contact with customers, a specific procedure is in place with psychological follow-up.

Support for managers

Since 2017, a new type of management has evolved within CMNE branches: **Management by Collective Performance (MPC)**. This is team management that encourages collective work so as to engage employees by giving them greater responsibility. This type of management makes it possible to take another approach to commercial activity that focuses on customers' priorities and the local bank's collective objective. This type of management fosters mutual support and the desire to succeed together, and tends to make employees less stressed.

Since 2015, fifty or so CMNE managers have been instructed in the Learning Team's innovative learning methods. This is a personal development training course for managers, designed by the Lille EDHEC "leadership and management skills" chair. Learning by collective intelligence is particularly advanced at EDHEC.

In addition to the Learning Team, the entire basis of management training was revised and developed between 2018 and 2019.

New managers are systematically supported when they take up their posts. Training in **management fundamentals**, amongst other things, was reworked and managers, once in post, can now access a database of classroom training courses: management workshops. These soft skills training courses have been very popular with managers and over 250 employees were trained in 2019.

Teleworking

The CMNE Group wants to encourage more flexible working. Teleworking trials, carried out since 2016, resulted in a **company-wide agreement** which was signed in December 2018. Over 290 CMNE head office employees and 109 employees from the La Française Group are already working from home one day a week. The managers of the employees in question have been trained in how to manage remote teams. Better work/life balance, changes in management practices, provision of remote communications tools, less commuting, teleworking offers lots of benefits. In 2019, one-off arrangements and introduction during national strikes or periods of bad weather, also enabled non-teleworking staff to benefit from remote working solutions at sites close to their homes.

Employees with awareness of gender diversity: gender diversity week

CMNE's commitment to **gender equality in the workplace** is nothing new: in 2017, a fourth agreement covering this issue was signed for a 3-year period. It reaffirms the Group's desire for equal opportunities for men and women in terms of hiring, professional development, training and pay.

Echoing "International Women's Day" on March 8, every year, CMNE organizes a **gender diversity week**. In 2019, for one week, employees had the opportunity to conduct a self-assessment with regard to M/F stereotyping which aims to prevent the trivialization or minimization of sexist behavior pedagogically. A gender diversity tab was created for employees on the HR web portal Measures to encourage the advancement of women at CMNE, such as, professional immersion programs and the recognition of women's career paths within internal communications, were introduced.

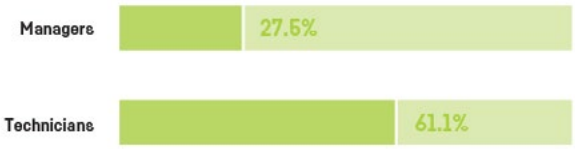
On the occasions of diversity week, La Française developed an internal advertising campaign. The objective was to **promote female engagement** by profiling 5 committed female employees working in non-profits. This campaign was also launched on Twitter and LinkedIn. From March 1, 2019, a **new gender equality index** has required companies with more than 50 employees to publish different indicators measuring wage gaps between men and women. At CMNE, the index was 94/100 (compared with 75.3 in 2018) and was 85/100 at La Française.

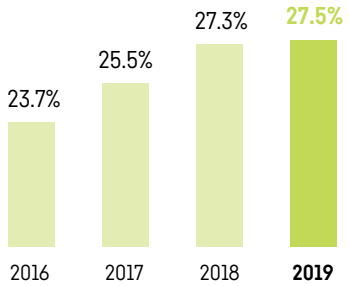
In November 2019, Beobank signed **the "Women in finance" charter** for gender diversity in finance. The objective is to guarantee equal opportunities for men and women, to measure gender-related differences, to prepare a diversity and inclusion action plan and to appoint a diversity manager.

CMNE HR managers were also trained in "How to recruit without discrimination?".

BREAKDOWN OF MEN AND WOMEN AT CMNE

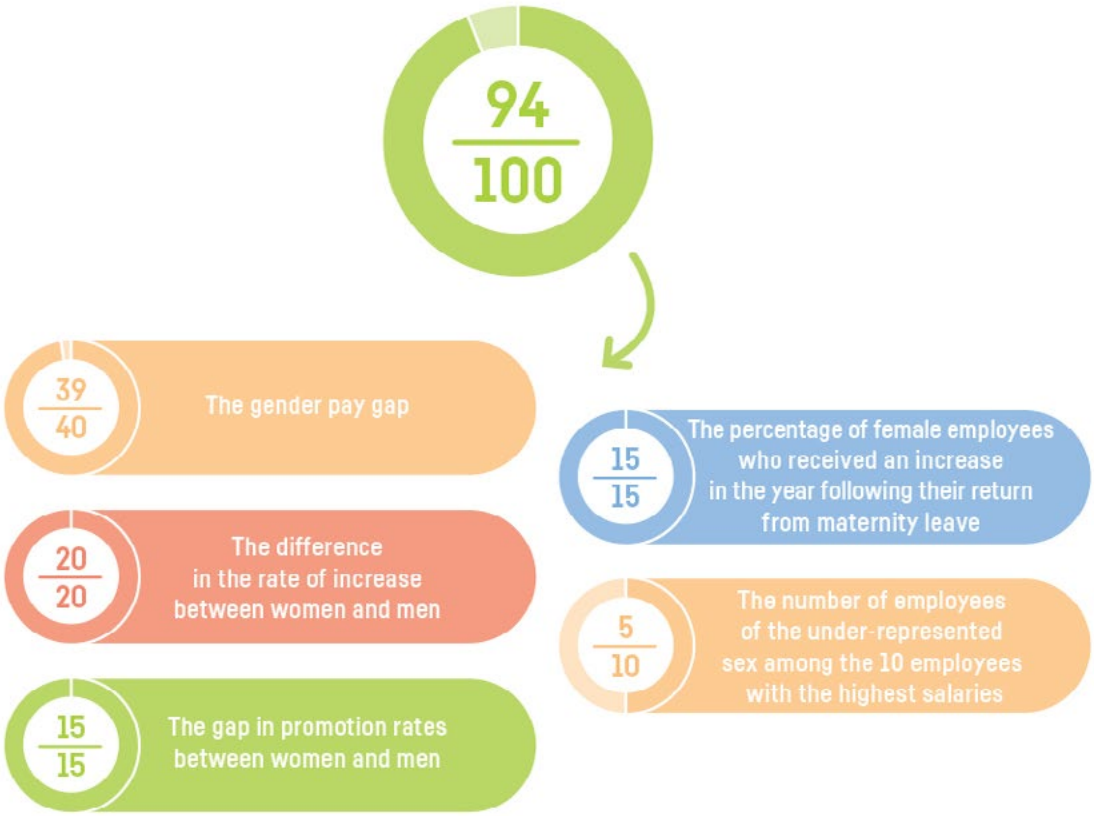
FEMALE MANAGERS





GENDER EQUALITY INDEX

This index is calculated according to these 5 criteria



Parenting

During gender diversity week, **a morning session on "What about gender equality at work?**" was organized by employees and managers to tackle, in particular, topics relating to careers and parenting. **A special parenting guide** provides information about birth or adoption-related policy mechanisms.

A pilot scheme was launched in late 2019 with a group of young mothers on the subject of **returning from maternity leave.** Objective: to think about new ways of obtaining a work/life balance upon returning from maternity leave, to share experiences with regard to organization, time management, priorities, energy, etc. Following the success of this pilot scheme, this workshop will be offered to all female employees retuning from maternity or parental leave (including adoptions). Employees benefit from general wage increases received during their absence and are awarded the average of individual wage increases for the equivalent professional category.

Committed employees

Since 2010, employees of CMNE France, and since 2017, employees of the CMNE Group, have taken **Congé Solidaire®** with the non-profit Planète Urgence, on a yearly basis. There were 71 instances of paid, supported leave. Employees who took solidarity leave in 2018 talked about their experiences at a conference held in September 2019.

Each Beobank employee has the opportunity to carry out **one day's charity work** per year, for a Belgian non-profit. They can choose to volunteer alone or with colleagues from different departments.

The La Française Group chose **to transform its traditional Christmas gifts into donations to non-profits** and environmental projects. The Group handed over a check for €11,935 to SOS SAHEL and €7,098 to Green Cross France & Territories and planted 10,000 trees with Reforest'Action, making it possible to store around 1,428 tonnes of CO_2.

La Française organizes TTSM (Time To Say More), which are **meetings with employees used to decode current affairs**, gain a better understanding of the challenges faced, learn how to work better together and explain why the group has resolutely chosen responsible to invest responsibly.

Moniwan, the La Française investment solutions digital distribution platform set up a partnership with Reforest'Action with a view to **offsetting part of the carbon consumption** of each subscription and involving investors in the consequences of their investments. The platform is committed to planting 10,000 trees a year.

CMNE is a partner in the "Squad Emploi" which aims to help integrate young college graduates into working life. In 2019, seven CMNE managers participated in this wonderful human adventure. In ten years of partnership, CMNE is proud to have supported 180 young people, nearly 80% of whom have found work.

One of the many non-profits supported by the CMNE Foundation is the EPA (Entreprendre Pour Apprendre) association which aims to develop young peoples' entrepreneurial spirit by incorporating content of an educational and entrepreneurial nature into the academic program. Every academic year, the CMNE Foundation supports over 280 mini-businesses and 12,000 participants. A dozen or so CMNE employees become mentors and support teams throughout projects, such as creating a booklet on the dangers of social networks.

For the last two years, the CMNE Foundation has showcased **employees' commitment** by supporting three projects (with a €10,000 budget) in which company employees are involved on a personal level. The projects, voted for by employees, receive their awards on the evening of the vote.

Employees involved in their ecosystem

During the 2018-2019 academic year, CMNE continued its **work-study training** policy, welcoming 72 young people (19 of whom stayed on after the first year), who were mainly first and second-year Masters students. Their time with the company is interspersed with a number of events put on for the work-study student community. Students and tutors can also access a dedicated page on the Workplace social network where they can share their experiences and exchange views. To recruit these talented young people, HR teams take part in a number of forums set up by some of the best schools/universities in the region. 147 young people were also given **an internship** at CMNE and 54 at the La Française Group.

Disability

For the **deaf and hard of hearing**, CMNE rolled out DEAFI, a solution that enables customers to choose a method of communication tailored to their disability: translation into French sign or spoken language (lip reading) via a webcam, or discussion via an adapted webchat.

For a number of years now, the Crédit Mutuel Nord Europe Group has had a sound disability policy and continues to be committed to the sheltered employment sector. In December 2017, a new three-year agreement was signed at CMNE and will be renegotiated in December 2020. Disability officers support disabled employees and lead awareness-raising initiatives.

As is done every year, various awareness-raising initiatives were set up for **European Disability Employment Week** (EDEW). In 2019, CMNE raised the issue of disability via tools (Challenge Handipoursuite), and as a result of breakfasts organized at the head office in partnership with the preparation for work center, Établissement et Services d'Aide par le Travail (ESAT). CMNE had a presence on the "#VersUnMétier" forum and its participation in a "Handicafé" enabled it to meet disabled students. La Française welcomed sheltered businesses (Entreprises Adaptées) and raised employees' awareness of disability, especially autism, via an app. La Française directed a portion of its apprenticeship tax to the Lycée Saint-Nicolas which has an Eco-Label and welcomes young disabled people. 15 La Française employees were hosted by students in their teaching garden.

5.6.4 Governance

The governance of all CMNE Group entities ensures ethical and trustworthy practices. The CMNE distinguishes itself by its mutualist identity. The "one person/one vote" principle gives a human, non-financial, dimension to decisions taken in Shareholders' Meetings. Its roots in the regions give it a better understanding of the local economy and how it is financed. A mutual bank must be profitable but does not seek out profit for profit's sake, it presents its financial statements to members and customers rather than shareholders. These are CNME's guiding values and guarantee customers secure and ethical practices.

- **Our commitment**: to respect business ethics, driving and supporting mutual operation via clear governance in line with our values.
- **Our major identified non-financial risks**:
  - Lack of training of elected representatives;
  - Non-compliance with regulatory procedures.
- **Our monitoring indicators**[1]:

Name of indicator	2019	2018	Comments
Monitoring of total number of training hours delivered to elected representatives	2,599.5	2,839	• Drop in the number of active directors and participants in the annual conference
% of CMNE employees trained in combating money laundering per year	33%	92%	• The training module is only mandatory every two years. The new campaign was launched in autumn 2019.

- **Our policy mechanisms:** training plan for elected representatives, code, rights and responsibilities of elected representatives, cooperative review, code of conduct, European Payment Services Directive (DSP2), personal data protection guide (GDPR), management of antisocial behavior, general safety policy for the protection of people and property, organization of personal aid and management of public health risks, anti-corruption training, Anti-money Laundering and Counterterrorist Financing (AML-CTF), policy to combat tax evasion, anti-corruption and internal fraud policy.

Mutualism: an internal democracy

Local banks at the heart of the cooperative system

Each bank has two complementary teams: male and female directors who are not bankers by profession, customers elected by their peers, active in the local region, and CMNE salaried workers, employees/sales representatives. Crédit Mutuel is a mutual, cooperative bank. Customer members are key to its operation and hold company shares. This particular feature means that they "co-own" the local bank. For this reason, they are invited to attend their local bank's Shareholders' Meeting. They have the right to vote to elect members of the bank's Board of Directors in accordance with the **"one person, one vote"** principle. They can also apply to be a member of their local bank's Board of Directors. At the end of 2019, **60% of CMNE's customers were members**.

Shareholders' Meetings are key to life as a mutual bank

Annual Shareholders' Meetings are a perfect opportunity for members, directors and employees of the local bank to get together. Shareholders' Meetings are where members of the Board of Directors and management reports can be presented to members and where resolutions can be put to the vote. It is also a time for discussing topics relating to economic and financial affairs, Bankinsurance or the life of the local bank. In 2019, over **21,000 members took part in this annual, local event** via 227 open Shareholders' Meetings and 17 traditional Shareholders' Meetings.

Every year, a percentage of the profit is paid to members via remuneration for the company shares that they hold. Advisors are actually positioned as financial coaches who do not receive any commission and who are there to listen to their customers via a number of different contact methods: physical, digital, telephone, webchat, etc.

Training of elected representatives

To take up their role in full and gain a better understanding of the challenges of the banking world, and Crédit Mutuel in particular, elected representatives have a duty to follow training. Every year a training plan is offered which covers topics as varied as real estate investments, public speaking, CSR, etc. In 2019, this program resulted in **2,600 hours of training**. Every year, a conference is held to deal with current issues such as leadership or even the 3rd industrial revolution.

A head office department specifically for elected representatives, has its own dedicated intranet site, providing the means of communication (newsletters, elected representative newsflashes, etc.), documents and information needed for them to perform their duties.

Cooperative review

As a cooperative society, CMNE is subject to a five-yearly "Cooperative Review". The 1st review took place in 2018. The objective is to highlight its directors' best cooperative practices and propose areas for improvement. The review is also conducted in the interest of members, not just with a view to protecting their cooperative individual rights, but also protecting the general interest.

(1) As part of a process of continuous improvement, the CMNE Group identified risks, ensured that said risks were covered by internal policies, charters, codes, etc. and then identified several non-financial indicators to monitor its level of involvement.

Based on the work carried out by the cooperative auditor, no material anomalies were reported. CMNE respects cooperative principles and rules, the interests of its members and the specific cooperative rules to which it is subject.

Constructing an ethical and secure framework

The CMNE Group operates across a number of different business sectors and regions. This diversity means that it has to comply with multiple regulations. Over the last few years, regulatory pressures have tended to increase across all areas. In the light of these constraints, the CMNE Group's actions are part of an ongoing ethical and societal initiative aimed at protecting customers' interests whilst maintaining its integrity and reputation. This initiative aims to prevent, protect and inform, guiding the Group to manage its risks and adapt to economic and societal changes. The Crédit Mutuel Nord Europe Group does its utmost to prevent its network from being used for the purposes of corruption, money laundering, tax evasion and/or the financing of terrorism.

Fighting corruption

The CMNE Group condemns corruption in all its forms and has introduced measures to prevent corruption by means of a code of conduct, risk mapping, declaration of gifts and benefits, employee training and whistleblowing procedures. These measures are in addition to existing mechanisms relating to financial security and the prevention conflicts of interest. They ensure compliance with regulations so that relevant Group managers, employees and entities can be forewarned of the risks to which they are likely to be exposed in their business activities.

The CMNE Group asks its employees not to make any **compromises when it comes to corruption** – or influence peddling – whether active or passive, external or internal, private or public. It expects them to observe the rules set out for their work, to defend the interests of customers and of the Group and to be mindful of inducements that may be offered for the purposes of corruption or influence peddling. Within this context, they are asked to **report any suspicion of corruption to their line manager or the Compliance Department**, whether involving an employee, a customer or a partner, as well as any potential conflict of interest detected within the scope of their professional activities. Employees are prohibited from taking part in any acts of corruption or influence peddling. Any act of corruption or failure to comply with this policy is **sanctioned in accordance with internal rules**. CMNE has introduced a specific anti-corruption training course. 2,558 employees have signed up for the course and 79% have completed it.

Anti-money laundering and counter-terrorist financing

An anti-money laundering and counter-terrorist financing (AML-CTF) mechanism was introduced, in line with regulatory requirements. It is based on correspondents in each entity in France and abroad. Periodic, permanent and compliance controls are implemented to ensure that risks are covered and the procedures implemented are consistent.

Crédit Mutuel manages and ensures the security of large numbers of financial transactions, and is conscious of its responsibility as a bank. For this reason, it has made considerable efforts to build customer awareness and set up more robust security measures for customer transactions.

Training modules can be accessed on the employee intranet. New hires take the module within 6 months of joining. An annual knowledge update is offered as well as detailed and expert modules.

A guide is available on the intranet that covers all AML-CTF initiatives.

Fighting tax evasion

In the financial security domain, the CMNE Group is committed to obeying the rules on fighting money laundering and terrorism financing (including tax fraud), the directives on embargos and international financial sanctions, and the fight against corruption. A list of sensitive countries identifies countries that do not meet the financial transparency standards and which are subject to embargo or viewed as a tax haven. Each entity deploys an AML-TF system fitting its activities. The flows to and from tax havens are filtered accordingly, generating ex-post and ex-ante warnings. As soon as any suspicious transactions are identified, they are reported as suspicious to the Financial Intelligence Units.

Securing personal data

Within the context of digitization and digital transformation, the protection of personal data is crucial. The banking business, by its very nature, and due to the volume of data that it gathers and processes, is particularly affected. The CMNE Group is committed to ensuring data protection and integrity and is committed to only using data in customers' own interests, to offer them support and products that are tailored to their needs. CMNE employees were trained via distance learning in the new General Data Protection Regulation. A practical guide is also available on the intranet.

Under the new GDPR, CMNE has made a firm commitment regarding the use of customer data via **its charter on personal data management security**, available on the cmne.fr website. Its partner Commanders Act, a data collection solution for marketing purposes on behalf of CMNE, obtained Privacy Seal certification for its data protection, thus becoming the first-ever data marketing platform to be declared compliant with the European GDPR.

The European Payment Services Directive (DSP2), which came into force in September 2019, had been planned for by CMNE. Since Autumn 2019, Crédit Mutuel online accounts have only been accessible using **strong authentication** (authentication combining two out of three authentication factors). This high level of authentication means that the customer's identity is checked twice, making access to banking services more secure. CMNE supported teams and customers in the transition to this new technology.

Given its activities and the location of its sites, CMNE does not believe that issues related to the elimination of forced labor or child labor apply to it directly. The Group is, however, aware of the commitments made within the context of the Global Compact and promotes compliance with International Labor Organization conventions.

5.7 METHODOLOGY

The Crédit Mutuel Group took steps to produce CSR indicators at an early stage to improve the identification of contributions and the progress made. A common set of indicators has been defined.

Qualitative data collection is based on interviews with individual contributors from individual business lines. These interviews give meaning to the data collected and identify new factors. These factors helped to inform the statement, enabling consolidation at the national level.

The quantitative data collected comprises more than 260 regularly reviewed items that enable the Group to put together the indicators required under Article 225 of the French Grenelle II Act, as well as numerous additional indicators relating to the Group's cooperative activities and democratic governance. The information collected, checked and published enhances readers' understanding of the CMNE Group.

Methodology chosen: for each domain of the CSR (the methodology followed is that proposed by MEDEF and then adapted to the particular regional characteristics of the CMNE Group), the Group's existing maps were used to identify the main non-financial risks with the departments in contact with the stakeholders concerned. These risks were analyzed in order to rank them according to their probability, seriousness and likelihood of going undetected. They were then assessed a second time regarding the labor-related, social and environmental issues involved. Next, indicators (KPI) were defined in order to track the development of the preventive and protective measures put in place by the Group to cover the risks identified.

A reporting methodology was implemented. It defines the rules for collecting, calculating and consolidating indicators, including their scope of application and the controls to be performed. It is intended for contributors from CMNE and its subsidiaries that participate in reporting, and may call on experts from various business areas. This methodology formalizes the audit trail for internal and external audits.

Non-financial reporting covers the entire CMNE Group, including Caisse Fédérale, the local banks and the subsidiaries (Beobank and La Française). The data is centralized in an Excel file at Caisse Fédérale in Lille by the CSR officer, who collects the data from the different subsidiaries. The role and responsibilities involved in producing this report are clearly identified. The data is taken from information systems. Automated software is preferred and a number of checks are carried out to ensure that the data is reliable.

In addition, an e-book is produced each year to highlight the main achievements described in the Non-Financial Performance Statement.

In order to compile this Non-Financial Performance Statement, the CSR team worked together with the CMNE Group's Risk Department, which has a risk map.

This mapping is the starting point for work to assess the Group's ESG implications. These risks were the subject of an expert analysis with the business line departments in question, ensuring that each non-financial risk identified was covered by a company policy or mechanism. In total, 13 key performance indicators were determined in order to monitor the efficacy of the policies in place.

This Non-Financial Performance Statement is checked by an Independent Third Party, whose due diligence covers the Statement's compliance with the provisions of Article R. 225-105 of the French Commercial Code, the accuracy of the information provided pursuant to paragraph 3 of 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.

Once these work and related interviews are complete, the Independent Third Party submits an assurance statement comprising a certificate of attendance and an opinion on the accuracy of the information contained in the Statement.

5.8 CROSS-REFERENCE TABLE

Certain categories of information are expected in the Extra-Financial Performance Statement (EFPS). The business model, risks and related KPIs are also presented in the Non-Financial Performance Statement.

Topics	Chapters concerned
Social and environmental consequences of the business	Investments
Respect for human rights	Human Resources
Fighting corruption	Governance & Fair business practices
Fighting tax evasion	Governance & Fair business practices
Circular economy	Investments
Collective agreements in the company and their impacts upon the company's economic performance as well as the working conditions of employees and actions to fight discrimination and promote diversity	Human Resources
Combating food waste	Investments
Diversity	Human Resources
Disability	Human Resources
Climate change	Investments
Fighting food insecurity; animal welfare; responsible, fairly traded and sustainable food	Not applicable

Under current regulations, and due to the nature of the Crédit Mutuel Nord Europe Group's business activities, food insecurity, animal welfare and fairly traded and sustainable food, are not significant issues.

Information published by Crédit Mutuel Nord Europe covers all business activities and entities (Beobank, La Française Group, Bail Actéa and Bail Actéa Immobilier).

The business model, as well as the ESG map/key performance indicators, can be found at the beginning of the chapter, on pages 132 to 135.

5.9 INDEPENDENT THIRD PARTY'S REPORT ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT CONTAINED IN THE MANAGEMENT REPORT

To the Company's Shareholders' Meeting,

In our capacity as an Independent Third Party, a member of the Mazars network, the statutory auditor of the Crédit Mutuel Nord Europe Group, and accredited by COFRAC Inspection under number 3-1058 (accreditation definition available on the www.cofrac.fr website), we present to you our report on the consolidated non-financial performance statement for the year ended December 31, 2019 (hereinafter the "Statement") presented in the management report, pursuant to Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Board of Directors' Responsibility

The Board of Directors is responsible for preparing a Statement that complies with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks and a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators.

This Statement has been prepared by applying the Group's procedures (hereinafter the "Guidelines"), whose significant elements are presented in the Statement and available on request from the Communication Department.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the professional code of conduct. Moreover, we have developed a quality control system that includes documented policies and procedures to ensure compliance with the applicable rules of professional conduct, professional standards and legal and regulatory provisions.

Independent Third Party's Responsibility

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").

We are not, however responsible for giving an opinion on the Group's compliance with other applicable legal and regulatory provisions, in particular, with regard to the vigilance plan and the anti-corruption and tax evasion policy, nor on the compliance of products and services with applicable regulations.

Nature and scope of the work

Our work, as described below, was carried out in accordance with the provisions of Article A. 225-1 et seq. of the French Commercial Code, the professional standards of the French Statutory Auditors' Association (Compagnie nationale des commissaires aux comptes) in relation to this assignment and with ISAE 3000:

- we have familiarized ourselves with the business of all the entities included in the consolidation scope, as well as with the presentation of the main risks;
- we have assessed the appropriateness of the Guidelines as regards their relevance, completeness, reliability, neutrality and clarity, taking into consideration, where 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, anti-corruption and combating tax evasion;
- we verified that the Statement presents the information provided for in Section II of Article R. 225-105, where relevant with regard to the main risks and includes, where applicable, a clear and reasoned explanation justifying the absence of the information required by the 2nd paragraph of Section III of Article L. 225-102-1;
- we verified that the Statement presents the business model and a description of 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, appertaining to the main risks;

- we consulted documentary sources and conducted interviews to:
  - assess the main risk selection and validation process as well as the consistency of the chosen results, including key performance indicators, with regard to the main risks and policies presented, and
  - corroborate the qualitative information (actions and results) that we considered to be the most significant presented in Appendix 1. Work in relation to the main non-financial risks presented was carried out on the consolidating entity;
- we have checked that the Statement covers the consolidated scope, consisting of all entities within the consolidation scope pursuant to Article L. 233-16 with the limits specified in the Statement;
- we have assessed the internal control and risk management procedures put in place by the entity and have assessed the data collection process set up to ensure the completeness and accuracy of the Information;
- for the key performance indicators and the other quantitative results that we considered to be the most significant 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 performed on the scope of consolidation of the Group or of CF CMNE, depending on the indicators and covers between 55 and 100% of the consolidated data selected for these tests;
- 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 verification work involved the skills and work of four people between December 2019 and April 2020 for a total duration of three weeks.

We conducted around fifteen interviews with the people responsible for preparing the Statement, including the CSR Department, Training Department, Human Resources Department, Logistics and Purchasing Department, Financial Security Department, Social Solidarity Bank (Caisse Solidaire) Department, Communication Department, Legal Department, Information System Department and the Customer Relations Department.

Conclusion

Based on our work, we did not observe any significant misstatement likely to call into question the Statement's conformity with the applicable regulatory requirements or the true and fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

Comments

Without calling into question the conclusion expressed above, and in accordance with Article A. 225-3 of the French Commercial Code, we make the following observation:

- with regard to risks relating to greenhouse gas emissions, the product range aimed at fragile customers, partnership or patronage actions, responsible investment and elected representatives training, the Group has not defined any key performance indicators but presents results indicators in the Statement.

Paris La Défense, April 21, 2020

Independent Third Party

Mazars SAS

Anne Veaute

Partner

Edwige REY

CSR & Sustainable Development Partner

Appendix 1: Information considered most important

QUALITATIVE INFORMATION (ACTIONS AND RESULTS) ON THE MAIN RISKS

IT system security
Adaptation of product offering and on-demand distribution channels
Product offering for fragile customers
Partnership or patronage actions
Responsible investment
Factoring-in the increase in greenhouse gas emissions contributing to climate change in the Group's business activities
Training
Mobilization of employees: management of employees, professional recognition, quality of work life, etc.
Training of elected representatives
Regulatory procedures

QUALITATIVE INDICATORS INCLUDING KEY PERFORMANCE INDICATORS AND AUDITED ENTITIES

Workforce
Global system availability rate
Tele-processing availability rate
Average response time for customer
Number of microloans granted
Sponsorship budget
SRI assets under management
Energy consumption
Paper consumption
% of payroll costs dedicated to training
Change in staff turnover
Change in absenteeism rate
Total number of training hours delivered to elected representatives
% of employees trained in AML-CTF

6

FINANCIAL REPORT

6.1 STATEMENT OF FINANCIAL POSITION: ASSETS AT DECEMBER 31, 2019

In € thousands	Note	12/31/19	12/31/18	Change	Change %
Cash and amounts due from central banks – Assets	**1**	**1,078,742**	**982,127**	**96,615**	**9.84%**
Financial assets at fair value through profit or loss	**6, 9**	**1,268,389**	**1,376,364**	**-107,975**	**-7.84%**
Government securities and similar instruments – Trading		-	-	-	
Government securities and similar instruments – FVO		309,684	355,508	-45,824	-12.89%
Government securities and similar instruments – Other FVPL		15,972	15,814	158	1.00%
Bonds and other fixed-income securities – Trading		-	23,423	-23,423	-100.00%
Bonds and other fixed-income securities – FVO		-	-	-	
Bonds and other fixed-income securities – Other FVPL		783,118	833,149	-50,031	-6.01%
Equities and other variable-income securities – Trading		-	-	-	
Equities and other variable-income securities – Other FVPL		-	-	-	
Investments and other long-term securities – Other FVPL		1,258	3,951	-2,693	-68.16%
Investments in subsidiaries and associates – Other FVPL		-	-	-	
Derivative instruments and other financial assets – Trading		158,357	144,519	13,838	9.58%
Hedging derivative instruments – Assets	**7**	**8,367**	**15,223**	**-6,856**	**-45.04%**
Financial assets at fair value through equity	**4, 5, 9**	**2,585,127**	**2,755,190**	**-170,063**	**-6.17%**
Government securities and similar instruments – at fair value through recyclable OCI		431,958	501,401	-69,443	-13.85%
Bonds and other variable-income securities – at fair value through recyclable OCI		2,107,381	2,186,519	-79,138	-3.62%
Equities, participating interests and other variable income securities – at fair value through non-recyclable OCI		5,573	3,837	1,736	45.24%
Investments in non-consolidated companies and other LT investments – at fair value through non-recyclable OCI		20,965	25,920	-4,955	-19.12%
Investments in associates – at fair value through non-recyclable OCI		19,250	37,513	-18,263	-48.68%
Securities at amortized cost	**2, 5**	**150,442**	**146,606**	**3,836**	**2.62%**
Government securities and similar instruments		-	-	-	
Bonds and other fixed-income securities		150,442	146,606	3,836	2.62%
Loans and receivables to credit institutions	**2, 5**	**2,922,805**	**3,592,807**	**-670,002**	**-18.65%**
Loans and receivables due from customers at amortized cost	**2, 5**	**17,373,111**	**16,579,721**	**793,390**	**4.79%**
Customer loans		15,840,885	15,116,157	724,728	4.79%
Finance leases as lessor – finance leases		1,128,352	1,096,832	31,520	2.87%
Finance leases as lessor – operating leases		403,874	366,732	37,142	10.13%
Factoring		-	-	-	
Remeasurement adjustment on interest rate risk hedged portfolios	**7**	**50,543**	**28,370**	**22,173**	**78.16%**
Investments in insurance business line	**8**	**-**	**-**	**-**	
Current tax assets	**11**	**94,487**	**102,468**	**-7,981**	**-7.79%**
Deferred tax assets	**11**	**56,867**	**49,798**	**7,069**	**14.20%**
Accruals and other assets	**12**	**450,451**	**458,752**	**-8,301**	**-1.81%**
Other assets		230,447	252,411	-21,964	-8.70%
Accruals – Assets		220,004	206,341	13,663	6.62%
Non-current assets held for sale	**12**	**46,127**	**86,309**	**-40,182**	**-46.56%**
Deferred profit sharing		**-**	**-**	**-**	
Investments in associates	**13**	**1,409,080**	**1,436,320**	**-27,240**	**-1.90%**
Investment property	**14**	**191,337**	**32,876**	**158,461**	**482.00%**
Property, equipment and finance leases as lessee	**15**	**250,414**	**243,427**	**6,987**	**2.87%**
Property, plant and equipment		250,414	243,427	6,987	2.87%
Finance leases – lessee		-	-	-	
Intangible assets	**15**	**37,426**	**28,842**	**8,584**	**29.76%**
Goodwill	**16**	**198,993**	**193,103**	**5,890**	**3.05%**
TOTAL ASSETS		**28,172,708**	**28,108,303**	**64,405**	**0.23%**

6.2 STATEMENT OF FINANCIAL POSITION: LIABILITIES AT DECEMBER 31, 2019

In € thousands	Note	12/31/19	12/31/18	Change	Change %
Central banks – Liabilities	**3**	**-**	**-**	**-**	
Financial liabilities at fair value through profit or loss	**6, 9**	**597,133**	**670,301**	**-73,168**	**-10.92%**
Due to credit institutions – FVO		-	-	-	
Due to customers – FVO		-	-	-	
Debt securities – FVO		468,739	547,236	-78,497	-14.34%
Subordinated debt – FVO		-	-	-	
Derivative instruments and other financial liabilities – Trading		128,394	123,065	5,329	4.33%
Hedging derivative instruments – Liabilities	**7**	**62,245**	**69,119**	**-6,874**	**-9.95%**
Due to credit institutions	**3**	**1,071,094**	**1,947,293**	**-876,199**	**-45.00%**
Due to customers	**3**	**18,544,986**	**17,554,832**	**990,154**	**5.64%**
Customer credit accounts ESRB – Demand		10,200,633	9,830,753	369,880	3.76%
Customer credit accounts – ESRB – Term		2,517,811	2,396,046	121,765	5.08%
Customer credit accounts – Other – Demand		5,578,252	5,058,698	519,554	10.27%
Customer credit accounts – Other – Term		248,290	269,335	-21,045	-7.81%
Debt securities	**3**	**2,629,076**	**2,931,919**	**-302,843**	**-10.33%**
Debt securities – certificates of deposit		31,509	39,752	-8,243	-20.74%
Debt securities – Interbank market & NDS		1,812,956	1,790,856	22,100	1.23%
Debt securities – Bonds		784,611	1,101,266	-316,655	-28.75%
Debt securities – Other		-	45	-45	-100.00%
Remeasurement adjustment on interest rate risk hedged portfolios	**7**	**-**	**-**	**-**	
Current tax liabilities	**11**	**75,383**	**64,504**	**10,879**	**16.87%**
Deferred tax liabilities	**11**	**14,439**	**751**	**13,688**	**1,822.64%**
Accruals and other liabilities	**12**	**787,216**	**860,433**	**-73,217**	**-8.51%**
Other liabilities		517,162	535,662	-18,500	-3.45%
Accruals – Liabilities		270,054	324,771	-54,717	-16.85%
Other insurance liabilities		-	-	-	
Liabilities associated with assets held for sale	**12**	**33,370**	**47,436**	**-14,066**	**-29.65%**
Liabilities related to insurance business policies		**-**	**-**	**-**	
Provisions for contingencies and charges	**17**	**149,104**	**146,287**	**2,817**	**1.93%**
Subordinated debt	**3**	**819,321**	**821,072**	**-1,751**	**-0.21%**
Shareholders' equity	**18**	**3,389,342**	**2,994,356**	**394,986**	**13.19%**
Shareholders' equity attributable to the Group		**3,337,019**	**2,994,361**	**342,658**	**11.44%**
Subscribed capital		1,376,633	1,304,266	72,367	5.55%
Additional paid-in capital		2,750	2,750	-	-
Consolidated reserves – Group		1,642,721	1,479,422	163,299	11.04%
Net profit/(loss) – Group		162,280	134,069	28,211	21.04%
Unrealized gains or losses – Group		152,635	73,854	78,781	106.67%
Shareholders' equity – Non-controlling interests		**52,322**	**-5**	**52,327**	**n.s.**
Consolidated reserves – Non-controlling interests		32,873	-18,304	51,177	-279.59%
Consolidated net income – Non-controlling interests		19,448	18,299	1,149	6.28%
Unrealized gains or losses – Non-controlling interests		1	1	-	-
TOTAL LIABILITIES		**28,172,708**	**28,108,303**	**64,405**	**0.23%**

6.3 NET PROFIT/(LOSS) AT DECEMBER 31, 2019

In € thousands	Note	12/31/19	12/31/18	Change	Change %
Interest and similar income	20	1,043,461	1,226,902	-183,441	-14.95%
Int. and similar income – Transactions with credit institutions		26,930	27,377	-447	-1.63%
Int. and similar income – Client transactions		489,425	503,540	-14,115	-2.80%
Int. and similar income – Financial assets FVOCI		16,843	23,046	-6,203	-26.92%
Int. and similar income – Securities at amortized cost		-291	-	-291	
Income on leasing and similar transactions		346,374	327,924	18,450	5.63%
- Income from lease financing arrangements		111,159	104,095	7,064	6.79%
Hedging derivative instruments – Income		6,839	13,030	-6,191	-47.51%
Int. and similar income – Financial assets FVOCI		104	559	-455	-81.40%
Int. and similar income – Financial trading instruments		41,472	222,772	-181,300	-81.38%
Int. and similar income – Financial assets other FVPL		4,606	4,559	47	1.03%
Interest and similar expenses	20	-648,378	-888,594	240,216	-27.03%
Int. and similar expenses – Transactions with credit institutions		-7,326	-10,023	2,697	-26.91%
Int. and similar expenses – Client transactions		-113,615	111,707	-1,908	1.71%
Int. and similar expenses – Debt securities		-41,917	-47,809	5,892	-12.32%
Int. and similar expenses – Subordinated debt		-1,116	-1,715	599	-34.93%
Expenses on leasing and similar transactions		-320,203	-302,179	-18,024	5.96%
Expenses from lease financing agreements		-105,817	-100,031	-5,786	5.78%
Financial expenses – rental obligation		-706	-	-706	
Hedging derivative instruments – Expenses		-48,204	-44,114	-4,090	9.27%
Int. and similar expenses – Financial liabilities FVPL		-9,474	-10,095	621	-6.15%
Int. and similar expenses – Financial trading instruments		-	-260,921	260,921	-100.00%
Fee and commission income	21	291,904	310,496	-18,592	-5.99%
Fee and commission expense	21	-69,970	-70,774	804	-1.14%
Net gain (loss) on financial instruments at fair value through profit or loss	22	3,909	47,612	-43,703	-91.79%
Net gain (loss) on trading securities		8,252	2,799	5,453	194.82%
Net gain (loss) on foreign exchange transactions		376	430	-54	-12.56%
Net gain (loss) on derivative instruments held for trading		-25,534	31,627	-57,161	-180.73%
Net gain (loss) – Ineffective portion of hedging derivatives		-2,482	-95	-2,387	n.s.
Net gain (loss) on financial assets FVO		-45,600	7,732	-53,332	-689.76%
Net gain (loss) on financial assets – Other FVPL		26,034	-14,045	40,079	-285.36%
Net gain (loss) on financial liabilities FVO		42,863	19,164	23,699	123.66%
Net gain/loss on financial assets at FVOCI	23	3,086	3,270	-184	-5.63%
Income from variable-income securities – at FVOCI		2,743	1,604	1,139	71.01%
Bonds and other fixed-income securities (of which EP) – at FVOCI		343	1,666	-1,323	-79.41%
Other gains and losses on financial assets – at FVOCI		-	-	-	
Gains/losses on financial assets at amortized cost	24	-	-	-	
Other income and expense	25, 26	188,666	155,938	32,728	20.99%
Income from other activities		354,553	297,573	56,980	19.15%
Expenses on other activities		-165,887	-141,635	-24,252	17.12%
Net income from insurance activities		-	-	-	
Net banking income (IFRS)		812,678	784,850	27,829	3.55%
General operating expenses (IFRS)	**27**	**-730,836**	**-772,165**	**41,330**	**-5.35%**
Employee benefits expense		-430,262	-413,199	-17,063	4.13%
General operating expenses		-255,608	-332,032	76,424	-23.02%
Provisions/reversals on depreciation, amortization and impairment – Operating assets		-44,965	-26,934	-18,031	66.95%
Gross operating income (IFRS)		81,842	12,684	69,158	545.24%
Net additions to/reversals from provisions for loan losses	**28**	**-21,899**	**-1,889**	**-20,010**	**1,059.29%**
Operating income (IFRS)		59,943	10,796	49,148	455.28%
Share of profit or loss of associates	13	103,199	49,676	53,523	107.74%
Net gains (losses) on other assets	29	16,696	46,338	-29,642	-63.97%
Net value after adjustment of property, plant and equipment and intangible assets		-759	1,072	-1,831	-170.80%
Net profit/(loss) on consolidated entities (disposal, etc.)		17,455	45,266	-27,811	-61.44%
Change in value of goodwill	**30**	**7**	**-**	**7**	
Net income before tax (IFRS)		179,845	106,810	73,036	68.38%
Corporate income tax	31	-15,498	-22,427	6,929	-30.90%
Post-tax gain/(loss) on discontinued operations	**12**	**17,381**	**67,985**	**-50,604**	**-74.43%**
Total net income (IFRS)		181,728	152,368	29,361	19.27%
Consolidated net income – Non-controlling interests		**19,448**	**18,299**	**1,149**	**6.28%**
NET INCOME (LOSS)		162,280	134,069	28,211	21.04%

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

	Note	12/31/19	12/31/18	Change	Change%
Net income (loss)		**181,728**	**152,368**	**29,361**	**19.27%**
Translation adjustments		1,127	-332	1,459	-439.33%
Revaluation of available-for-sale financial assets		-	-	-	-
Remeasurement of financial assets at fair value through equity – capital instruments		16,564	-10,614	27,178	-256.06%
Reclassification of financial assets from fair value through shareholders' equity at fair value through profit or loss			-	-	-
Remeasurement of insurance business investments		-	769	-769	-100.00%
Remeasurement of hedging derivatives		85	4,025	-3,940	-97.89%
Share of unrealized or deferred gains and losses of equity-accounted entities		37,531	-13,839	51,370	-371.20%
Total recyclable gains and losses recognized directly in equity	32, 33	55,307	-19,991	75,298	-376.66%
Revaluation of financial assets at fair value through equity – capital instruments at closing		1,736	-6,034	7,770	-128.77%
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year		4,461	-31	4,492	n.s.
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option		-	-	-	-
Remeasurement of non-current assets		-		-	-
Actuarial gains and losses on defined benefit plans		1,537	-2,708	4,245	-156.76%
Share of unrealized or deferred gains and losses of equity-accounted entities		15,740	-7,004	22,744	-324.72%
Total non-recyclable gains and losses recognized directly in equity	32, 33	23,474	-15,777	39,251	-248.78%
Impact of merger of insurance businesses (not deemed to be income)		-	86,888	-86,888	-100.00%
Net profit/(loss) and gains and (losses) recognized directly in equity		260,509	203,488	57,021	28.02%
Attributable to owners of the company		*241,061*	*187,519*	*53,542*	*28.55%*
Attributable to non-controlling interests		*19,448*	*15,970*	*3,479*	*21.78%*

6.4 CHANGES IN EQUITY AT DECEMBER 31, 2019

	Capital and related reserves			
In € thousands	Capital	Reserves related to capital [1]	Consolidated reserves	Related to translation adjustments
SHAREHOLDERS' EQUITY AS OF JANUARY 1, 2018	**1,275,080**	**2,750**	**1,335,439**	**-2,226**
Change in capital	29,186		-	
Elimination of treasury shares				
Issuance of preference shares				
Equity component of hybrid instruments				
Equity component of share-based payment plans				
Appropriation of 2017 earnings			232,293	
Distribution in 2018 in respect of fiscal year 2017				
Subtotal of movements related to relations with shareholders	**29,186**	**-**	**232,293**	**-**
Changes in gains and losses recognized directly in equity[2][3]				-323
Realized non-recyclable gains and losses on financial assets at FVOCI			304,546	
Net income at December 31, 2018				
Sub-total	**-**	**-**	**304,546**	**-323**
Impact of acquisitions and disposals on non-controlling interests			165,389	
Change in accounting methods			-	
Share of changes in equity of equity accounted associates and joint ventures			19,368	
Impact of merger of insurance entities			-588,307	-1,868
Other variations			10,694	
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2018	**1,304,266**	**2,750**	**1,479,422**	**-4,417**
Change in capital	72,367		-	
Elimination of treasury shares				
Issuance of preference shares				
Equity component of hybrid instruments				
Equity component of share-based payment plans				
Appropriation of 2018 earnings			111,226	
Distribution in 2019 in respect of fiscal year 2018				
Subtotal of movements related to relations with shareholders	**72,367**	**-**	**111,226**	**-**
Changes in gains and losses recognized directly in equity[2][3]				1,127
Realized non-recyclable gains and losses on financial assets at FVOCI			32,131	
Net income at December 31, 2019				
Sub-total	**-**	**-**	**32,131**	**1,127**
Impact of acquisitions and disposals on non-controlling interests			85,450	
Change in accounting methods				
Share of changes in equity of equity accounted associates and joint ventures			-141,765	46
Other variations			76,257	
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2019	**1,376,633**	**2,750**	**1,642,721**	**-3,244**

The other changes in consolidated reserves correspond to the difference between the theoretical calculation of dividends and the actual amounts received (difference due to changes in scope and IFRS treatment of put options held by non-controlling interests).

(1) Includes in particular share premiums and legal reserve relating to the parent company, the equity component of hybrid instruments relating to the parent company and share-based payment plans relating to the parent company.

Unrealized or deferred gains or losses (net of corporation tax)						
	Change in value of financial instruments					
Related to revaluation of actuarial gains and losses	Change in fair value of financial assets at fair value through equity	Change in fair value of hedging derivatives	Net profit/(loss) attributable to the Group	Shareholders' equity attributable to the Group	Shareholders' equity attributable to non-controlling interests	Gains and (losses) recognized directly in equity
-11,981	**49,368**	**-14,757**	**253,288**	**2,886,961**	**109,064**	**2,996,025**
				29,186		29,186
				-		-
				-		-
				-		-
				-		-
			-232,293	-		-
			-20,995	-20,995		-20,995
-	**-**	**-**	**-253,288**	**8,191**	**-**	**8,191**
-2,759	-15,275	4,025		-14,332	-2,330	-16,662
				304,546		304,546
			134,069	134,069	18,299	152,368
-2,759	**-15,275**	**4,025**	**134,069**	**424,283**	**15,969**	**440,252**
	87			165,476	-122,750	42,726
				-		-
	-21,480			-2,112		-2,112
-8	91,049			-499,134	-2,288	-501,422
2	-	-		10,696		10,696
-14,746	**103,749**	**-10,732**	**134,069**	**2,994,361**	**-5**	**2,994,356**
				72,367		72,367
				-		-
				-		-
				-		-
				-		-
			-111,226	-		-
			-22,843	-22,843		-22,843
-	**-**	**-**	**-134,069**	**49,524**	**-**	**49,524**
1,537	22,761	85		25,510	-	25,510
				32,131		32,131
			162,280	162,280	19,448	181,728
1,537	**22,761**	**85**	**162,280**	**219,921**	**19,448**	**239,369**
				85,450	32,879	118,329
				-		-
-244	53,470			-88,493		-88,493
-10	9			76,256		76,256
-13,463	**179,989**	**-10,647**	**162,280**	**3,337,019**	**52,322**	**3,389,341**

(2) Includes in particular changes in fair value of derivative financial instruments used to hedge cash flows and net foreign currency investments, changes in fair value of available-for-sale assets, and changes in value of actuarial gains/losses relating to the provision for retirement bonuses.

(3) Transfer to the income statement of changes in fair value of hedging derivative instruments, available-for-sale financial assets during sale or impairment, and the remeasurement of non-current assets when sold.

6.5 NET CASH FLOWS AT DECEMBER 31, 2019

In € millions	12/31/19	12/31/18
Net profit/(loss)	**182**	**152**
Tax	15	23
Profit/(loss) before tax	**197**	**175**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	44	27
- Impairment of goodwill and other fixed assets	1	6
+/- Net provisions and impairments	-8	-28
+/- Share of income from companies consolidated using the equity method	-103	-50
+/- Net loss/gain from investing activities	1	-1
+/- Income/expense from financing activities	0	0
+/- Other movements	185	-419
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	120	-465
+/- Flows related to transactions with credit institutions[a]	-570	-94
+/- Cash flows relating to client transactions[b]	186	391
+/- Cash flows relating to other transactions affecting financial assets or liabilities[c]	250	980
+/- Flows related to other transactions affecting non-financial assets or liabilities	-9	-214
- Taxes paid	-6	-32
= Net decrease/increase in assets and liabilities from operating activities	-149	1,031
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**169**	**741**
+/- Cash flows relating to financial assets and investments in non-consolidated companies[d]	-1	-89
+/- Flows related to investment property[e]	-66	4
+/- Cash flows relating to property, equipment and intangible assets[f]	-23	-84
TOTAL NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**-91**	**-169**
+/- Cash flows relating to transactions with shareholders[g]	50	8
+/- Other cash flows relating to financing activities[h]	-314	-173
TOTAL NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**-264**	**-165**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	**0**	**0**
Net increase (decrease) in cash and cash equivalents (A + B + C + D)	-186	407
Net cash flow generated by operating activity (A)	169	741
Net cash flow generated from investing activities (B)	-91	-169
Net cash flow generated from financing transactions (C)	-264	-165
Effect of foreign exchange rate changes on cash and cash equivalents (D)	0	0
Cash and cash equivalents at opening	**1,410**	**1,003**
Cash, central banks (assets & liabilities)	982	832
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	428	171
Cash and cash equivalents at closing	**1,224**	**1,410**
Cash, central banks (assets & liabilities)	1,079	982
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	145	428
CHANGE IN NET CASH POSITION	**-186**	**407**

In € millions	12/31/19	12/31/18
(a) Cash flows relating to transactions with credit institutions break down as follows:		
+/- Cash inflows and outflows on receivables due from credit institutions (excluding items included under Cash), excluding accrued interest	377	1,103
+/- Cash inflows and outflows on amounts due to credit institutions, excluding accrued interest	-947	-1,197
(b) Cash flows relating to client transactions break down as follows:		
+/- Cash inflows and outflows on receivables due from customers, excluding accrued interest	-800	-382
+/- Cash inflows and outflows on amounts due to customers, excluding accrued interest	986	773
(c) Cash flows relating to other transactions affecting financial assets and liabilities break down as follows:		
+/- Cash inflows and outflows on financial assets recognized at fair value through profit or loss	116	512
+/- Cash inflows and outflows on financial liabilities recognized at fair value through profit or loss	-79	437
- Cash outflows on acquisitions of available-for-sale fixed-income financial assets	198	-17
+ Cash inflows on sales of available-for-sale fixed-income financial assets	15	48
+/- Cash inflows and outflows on hedging derivative instruments	0	0
+/- Cash inflows and outflows on debt securities	0	0
(d) Cash flows relating to financial assets and investments break down as follows:		
- Cash outflows on acquisitions of subsidiaries, net of cash acquired	0	0
+ Cash inflows on sales of subsidiaries, net of cash disposed of	0	0
- Cash outflows on acquisitions of shares in equity accounted companies	-2	-315
+ Cash inflows on sales of shares in equity accounted companies	0	1
+ Cash inflows from dividends received	0	0
- Cash outflows on acquisitions of held-to-maturity financial assets	-1,275	-929
+ Cash inflows on sales of held-to-maturity financial assets	1,271	848
- Cash outflows on acquisitions of available-for-sale variable-income financial assets	-2	-11
+ Cash inflows on sales of available-for-sale variable-income financial assets	8	317
+/- Other cash flows relating to investment transactions	0	0
+ Cash inflows from interest received, excluding accrued interest not yet due	0	0
(e) Cash flows relating to investment property break down as follows:		
- Cash outflows on acquisitions of investment property	-76	-12
+ Cash inflows on sales of investment property	9	16
(f) Cash flows relating to property, equipment and intangible assets break down as follows:		
- Cash outflows on acquisitions of property, equipment and intangible assets	-26	-99
+ Cash inflows on sales of property, equipment and intangible assets	3	15
(g) Cash flows relating to transactions with shareholders break down as follows:		
+ Cash inflows on the issuance of capital instruments	72	29
+ Cash inflows on the sale of capital instruments	0	0
- Cash outflows relating to dividends paid	-23	-21
- Cash outflows relating to other payments	0	0
(h) Other net cash flows relating to financing activities break down as follows:		
+ Cash inflows from debt issuance and debt securities	479	167
- Cash outflows relating to debt repayments and debt securities	-791	-332
+ Cash inflows from the issuance of subordinated debt	0	0
- Cash outflows relating to subordinated debt repayments	-2	-8

6.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared in accordance with IFRS, as adopted by the European Union)

As of December 31, 2019

The notes to the consolidated financial statements are divided into six parts:

I. GENERAL INFORMATION

Crédit Mutuel is a cooperative bank governed by the French Act of September 10, 1947. It belongs exclusively to its members, who are allotted A shares under the "one person, one vote" principle, notably in the context of appointing directors.

The three levels of this decentralized organization (local, regional and national) operate according to the principle of subsidiarity: the local bank works as closely as possible with its members providing all of the main services required of a bank branch, while the other levels oversee the tasks that the local bank cannot perform on its own.

The Group's consolidated capital structure is determined by the individual entities that comprise a community of members linked financially and through values of solidarity and shared governance.

The consolidating entity of the Crédit Mutuel Nord Europe Group comprises all of the local banks, the Caisse Fédérale du Crédit Mutuel Nord Europe and the Fédération du Crédit Mutuel Nord Europe. The Fédération du Crédit Mutuel Nord Europe is affiliated with the Confédération Nationale du Crédit Mutuel. The local banks of Crédit Mutuel Nord Europe are entirely owned by their members. The Fondation du Crédit Mutuel Nord Europe is also integrated into the consolidating entity.

CMNE's activity, which extends across northern France, Belgium and Luxembourg, involves the creation, management and distribution of banking products, life and property and casualty insurance, and marketable and real estate securities.

The financial statements are presented in the format advised by the Autorité des Normes Comptables (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-02 relating to IFRS summary statements. They are consistent with IFRS (International Financial Reporting Standards) as adopted by the European Union.

In accordance with IFRS 7-B6, information on risk management is provided in the Group's management report.

Since January 1, 2019, the Group has been applying the following standards and amendments.

6.6.1 IFRS 16

Adopted by the European Union on October 31, 2017, it replaces IAS 17 and the interpretations relating to lease recognition.

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 asset ("right-of-use asset"), throughout 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, in the case of an operating lease, no amount is recognized in the lessee's balance sheet and rental payments are recognized within operating expenses.

On first-time application of the standard the Group has elected:

- to use:
  - the new lease definition for all existing leases. The scope of the contracts thus remains unchanged,
  - the simplified retrospective approach, and to adopt the related simplification measures. In particular, contracts tacitly renewed on January 1, 2019, such as the 3/6/9 leases, have been excluded because of the exemption for short-term contracts,
  - an amount for impairment of rights of use equal to the provision for onerous contracts in application of IAS 37;
- to opt for the exemptions proposed by the standard with respect to leases with a term of less than 12 months at the date of first-time application, as well as contracts relating to low-value assets (set at €5,000). The Group has also elected to exclude initial direct costs from the valuation of the right of use at the date of first-time application.

The Group has mainly capitalized its real estate leases using, on first-time application (for the leases not automatically renewed), their residual term and the corresponding incremental borrowing rate applied to the rental payments (excluding taxes). The impact on equity at January 1, 2019 is not material and is presented in the note "First-time application" (Part IV "Notes to the financial statements").

The IFRIC issued its final decision in December 2019 on the determination of the effective period of a contract. On this basis, the Group will analyze the impact of this decision on the current assumptions used for 3/6/9 commercial leases and tacitly renewable contracts as soon as possible. This decision could result in a review of the enforceable term of the above-mentioned contracts and thus modify the amount of the lease debt and the associated right of use. At this stage, the data are not reliable enough to report.

6.6.2 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 income tax (current/deferred). The Group considers that it does not entail any change from previous practice. Thus, a risk is recognized once a revised assessment has been issued. This treatment applies to reassessments concerning the entity itself, a related entity or a third party.

6.6.3 Amendments to IAS 39, IFRS 9 and IFRS 7 on the reform of reference rates

The reform of IBOR rates is a response to the weaknesses observed in the methodologies for constructing indexes and interbank rates, which are based on banks' reported data and a significantly declining volume of underlying transactions.

In Europe, it takes the form of the Benchmark regulation known as "BMR" published in 2016 and which came into force at the beginning of 2018. The major element of this reform is based on the calculation of rates on the basis of real transactions, in order to make the indexes used by the market more secure and reliable.

Indexes created from January 1, 2018 onwards must now comply with the BMR Regulation and be validated by the regulator. Existing indexes may continue to be used until December 31, 2021. Eventually, the old reference indexes (LIBOR, EONIA, EURIBOR, etc.) will no longer be used unless they comply with the new regulations.

In order to ensure a smooth transition, the Group has carried out an inventory of the legal, commercial, organizational, financial and accounting impacts, as well as on tools.

It launched the operation in project mode in the first quarter of 2019.

With regard to accounting aspects, the Group is following all the work carried out by the IASB on the effects of the reform of reference rates on financial information, which is divided into two phases:

- phase 1 for the pre-reform period: addressing potential impacts on existing hedging relationships (due to uncertainties about future indexes);
- phase 2, for the transition period to the new indexes as soon as they are defined: treatment of issues related to derecognition and documentation of hedging relationships (particularly the ineffective portion).

Following its adoption by the European Union on January 16, 2020, the Group has decided to apply in advance the amendment to IAS 39, IFRS 9 and IFRS 7 published by the IASB, which allows existing hedging relationships to be maintained in this exceptional and temporary context until:

- the uncertainty created by the reform of IBOR rates is lifted, on the choice of a new index and the effective date of this change; or
- until the termination of hedging for reasons unrelated to the reform is noted.

The Group believes that uncertainties remain regarding the Eonia rate (date of changeover to €ster not known), the EURIBOR rate (in the absence of contractual changes to indexed financial instruments (including a fallback clause) on this benchmark index) and LIBOR rates (uncertainties regarding replacement rates).

The notional amounts of Euribor and EONIA-indexed derivatives represent respectively €3.28 billion (or 78.27% of total hedging derivatives) and €0.912 billion (or 21.73% of total hedging derivatives).

Concerning phase 2, the Crédit Mutuel Group has taken note of the IASB's estimated timetable for dealing with issues relating to the impact of the rate reform:

- on the classification and measurement of financial assets and liabilities;
- on the designation of hedging relationships and the end of phase 1 exemptions;
- on the impacts relating to IAS 19, IFRS 16 and IFRS 17;
- in terms of additional disclosures.

Stakeholders were informed of the IASB's discussion papers published on:

- issues relating to the assessment of the substantial nature (or not) of a modification of a debt instrument in the case of the IBOR reform and the accounting impacts in the event of derecognition;
- the amendments to IFRS 9 and IAS 39 foreseen with regard to hedge accounting (hedge documentation, measurement of ineffectiveness).

6.6.4 Other amendments with immaterial impacts for the Group

6.6.4.1 Amendment to IAS 28

It relates to all financial instruments representing "other interests" in an associate or joint venture to which the equity method is not applied, including long-term financial assets that form part of the net investment in an associate or joint venture (e.g. loans to such entities). Such recognition is in two steps:

- the financial instrument is recognized under IFRS 9, including provisions for impairment of financial assets;
- then the provisions of IAS 28 apply, which may lead to a reduction in its carrying amount by allocation of the accumulated losses of the equity accounted entity, when the equity accounted value has already been reduced to zero.

When this amendment is applied for the first time, issuers may recognize the impacts in opening equity in 2019, without restating comparative information. As of the balance sheet date, the Group has not identified any cases within the scope of this amendment.

6.6.4.2 Amendment to IAS 19

It deals with the consequences of a plan amendment, curtailment or liquidation on the determination of cost of services rendered and net interest. The cost of services rendered and net interest for the period following the amendment, curtailment or liquidation must be determined using the actuarial assumptions used for the recognition of these events. As of the balance sheet date, the Group is not aware of any cases within the scope of this amendment.

6.6.4.3 Amendment to IAS 12

It clarifies that the tax effects of dividend distributions on financial instruments classified as equity should generally be recognized in net profit/(loss). For accounting purposes, dividends are deducted from equity. For tax purposes, it is a debt instrument whose 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 instruments. It is therefore not concerned by this amendment to date.

6.6.4.4 Amendment to IAS 1 and IAS 8

It aims to amend the definition of the term "materiality" in order to clarify it and harmonize it between the conceptual framework and IFRS. Subject to European adoption, information would be material (i.e. relatively significant) if it is reasonable to expect that its omission, misstatement or obscuration would influence the decisions of the principal users of general-purpose financial statements, which contain financial information about a particular reporting entity, based on those statements.

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

6.6.5 Use of estimates

The preparation of the Group's financial statements requires the use by the management of the business lines and functions of assumptions and estimates that have a material impact on income and expenses in the income statement and on the valuation of assets and liabilities in the statement of financial position and notes to the financial statements. This requires that management uses its judgment and available information at the time of preparation of the financial statements in order to arrive at the necessary estimates. The actual results of the operations for which management has used estimates may prove to be significantly different from those estimates, notably due to different market conditions, and may have a material impact on the financial statements.

This includes in particular:

- impairment charges recognized to cover the credit risks inherent in banking intermediation activities;
- the calculation of the fair value of financial instruments not listed on an active market and more generally the calculation of the market value of financial instruments for which this information must be provided in the notes to the financial statements;
- of impairment tests conducted on intangible assets;
- the relevance of the qualification of certain hedges using derivative financial instruments and the measurement of the efficiency of hedging strategies;
- estimates of the residual value of assets that are the subject of finance leases or operating leases and more generally depreciated assets after deduction of their estimated residual value;
- the calculation of provisions to cover the risk of losses and expenses.

Highlights of fiscal year 2019:

- The CMNE Belgium entity was the subject of a universal transfer of assets and liabilities to Caisse Fédérale du Crédit Mutuel Nord Europe on December 31, 2019.

II. CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

6.6.6 Principles of 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.

The consolidation scope comprises:

- exclusively controlled entities: exclusive control is considered to be exercised when the Group holds power over the entity, is exposed or is entitled to variable returns because of its links with the entity, and can exercise its power over the entity to influence its returns. These entities are fully consolidated;
- entities under joint control: joint control is the contractually-agreed sharing of control over an entity, which exists only in the case where decisions concerning key activities require the unanimous consent of the parties sharing control. Two or more parties that exercise joint control constitute a partnership, which is either a jointly-controlled operation or a joint venture:
  - a jointly-controlled operation is a partnership in which the parties exercising joint control have rights over the assets and obligations pursuant to liabilities relative to the entity: this involves recognizing the assets, liabilities, income and expenses relative to interests held in the entity,
  - a joint venture is a partnership in which the parties who exercise joint control have rights over the net assets of the entity: the joint venture is accounted for according to the equity method;
- 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.

6.6.7 Consolidation methods

The consolidation method varies depending on whether the consolidating entity exercises exclusive control, joint control or significant influence over the entity.

The consolidation method may be, depending on the type of control:

- full consolidation: this method involves substituting for the value of the shares each of the assets and liabilities of each subsidiary and recognizing the interests of non-controlling shareholders in shareholders' equity and in the income statement. This method is applicable to all entities under exclusive control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party.

  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.

  Consolidated UCITS and REIT, notably those representing unit-linked contracts of insurance entities, are recognized at fair value through profit or loss. The amounts corresponding to non-controlling interests are stated under "*Other liabilities*";
- equity method of consolidation: this involves substituting for the value of the shares the Group's interest in the equity and in the earnings of the relevant entities. It applies to all entities under joint control, qualified as joint ventures or to all entities over which the Group exercises significant influence.

6.6.8 Scope

Details of the consolidation scope of the CMNE Group as at December 31, 2019 are provided in the following tables, showing the contribution by each entity to the Group's net profit/(loss).

			Percentage	
	Country	Closing date	Control	Interest
Bankinsurance Division				
Bankinsurance France division				
Caisses de Crédit Mutuel + Caisse Fédérale du CMNE + Fédération du CMNE	FRANCE	12/18	100.00	100.00
Bail Actéa – 4 place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
CMNE Grand Paris – 4 place Richebé – 59000 LILLE	FRANCE			
CMNE Home Loans FCT – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
FCP Richebé Gestion – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	100.00	100.00
Foncière et Immobilière Nord Europe – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
GIE CMN Prestations – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
Immobilière BCL Lille – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	55.00	55.00
Immobilière du CMN (+ total real estate investments trusts – SCI) – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
Bail Actéa Immobilier – 4 place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
Nord Europe Partenariat – 2 Rue Andréï Sakharov – BP148 – 76135 MONT-ST-AIGNAN	FRANCE	12/18	99.65	99.65
SFINE Propriété à vie – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
SFINE Bureaux – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
La Française Global Investments – 128 Boulevard Raspail – 75006 PARIS	FRANCE			
SPV Jarna – 9B Boulevard Prince Henri – 1724 LUXEMBOURG	LUXEMBOURG			
THEIA Viager – 455 Promenade des Anglais – 06299 NICE	FRANCE	12/18	66.67	66.67
Total Bankinsurance France				
Bankinsurance Belgium division				
CMNE Belgium – Boulevard de Waterloo, 16 – 1000 BRUSSELS	BELGIUM	12/18	100.00	100.00
BKCP Immo IT SCRL – Boulevard de Waterloo, 16 – 1000 BRUSSELS	BELGIUM	12/18	97.24	97.24
Beobank Belgique – Boulevard Général Jacques, 263G – 1050 BRUSSELS	BELGIUM	12/18	100.00	100.00
Immo W16 – Boulevard de Waterloo, 16 – 1000 BRUSSELS	BELGIUM	12/18	100.00	100.00
Total Bankinsurance Belgium				
Insurance Division				
GACM – 34 Rue Frédéric-Guillaume Raiffeisen – 67906 STRASBOURG	FRANCE	12/18	10.22	10.22
Nord Europe Assurances – 9 Boulevard Gouvion-St-Cyr – 75017 PARIS	FRANCE	12/18	0.00	0.00
TOTAL INSURANCE				
TOTAL BANKINSURANCE				

(1) EM: Equity method; FC: Full Consolidation

Contribution to net profit/(loss) *(in € thousands)*	Consolidation method[1]	Closing date	Percentage		Contribution to net profit/(loss) *(in € thousands)*	Consolidation method[1]
			Control	Interest		
8,541	Parent	12/19	100.00	100.00	-3,210	Parent
4,759	FC	12/19	100.00	100.00	6,231	FC
		12/19	100.00	100.00	3	FC
0	FC	12/19	0.00	0.00	0	NC
-3,986	FC	12/19	0.00	0.00	-1,890	NC
-413	FC	12/19	100.00	100.00	-40	FC
0	FC	12/19	100.00	100.00	0	FC
-34	FC	12/19	55.00	55.00	105	FC
3,700	FC	12/19	100.00	100.00	3,320	FC
3,357	FC	12/19	100.00	100.00	4,169	FC
1,353	FC	12/19	99.65	99.65	-235	FC
-81	FC	12/19	100.00	100.00	-283	FC
-1	FC	12/19	100.00	100.00	-51	FC
		12/19	100.00	100.00	-2,110	FC
		12/19	100.00	100.00	2	FC
248	FC	12/19	0.00	0.00	-191	NC
17,443					**5,813**	
9,137	FC	12/19	0.00	0.00	167	NC
189	FC	12/19	97.25	97.25	599	FC
10,203	FC	12/19	100.00	100.00	8,436	FC
581	FC					
20,110					**9,202**	
36,568	EM	12/19	10.22	10.22	86,114	EM
30,868	FC					
67,436					**86,114**	
104,989					**101,129**	

6

	Country	Closing date	Percentage Control	Percentage Interest
Third-party management division				
Groupe La Française – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	100.00	100.00
2A – 5 Boulevard de la Madeleine – 75008 PARIS	FRANCE	12/18	20.00	20.00
Alger Management Ltd – 50 Broadway – LONDON	UK	12/18	50.00	50.00
Augur PM – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY			
CD Partenaires – 16 Place de la Madeleine – 75008 PARIS	FRANCE	12/18	74.87	74.87
FCT LFP Créances Immobilières – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	27.09	27.09
Groupe Cholet-Dupont – 16 Place de la Madeleine – 75008 PARIS	FRANCE	12/18	33.73	33.73
Inflection Point by La Française – 125 Old Broad Street – LONDON	UK	12/18	100.00	100.00
JKC Capital Management Ltd – 34-37 Connaught Road Central – HONG KONG SAR	HONG KONG	12/18	50.00	50.00
La Française AM – 128 Boulevard Raspail – 75006 Paris	FRANCE	12/18	100.00	100.00
La Française AM Finance Services – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	100.00	100.00
La Française AM Iberia – C/ Joaquin Costa 26 – 28002 MADRID	SPAIN	12/18	66.00	66.00
La Française AM International – 4A Rue Henri Schnadt – 2530 LUXEMBOURG	LUXEMBOURG	12/18	100.00	100.00
La Française Forum Securities Limited – 1700 E Putnam Ave, Old Greenwich, CT 06870 – 1366, Delaware – USA	USA	12/18	100.00	100.00
La Française Global Investments – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	100.00	100.00
La Française Global Real Estate Investment Management Limited – 12 Berkeley Street – LONDON	UK	12/18	100.00	100.00
La Française Investment Solutions – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	56.04	47.57
La Française Real Estate Managers – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	95.96	95.96
La Française Real Estate Partners – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	60.00	57.57
LFF Real Estate Partners Limited – 16 Berkeley Street – LONDON	UK	12/18	100.00	95.96
LFP Multi Alpha – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	100.00	100.00
New Alpha Asset-Management – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	58.75	58.75
Newtown Square – 128 Boulevard Raspail – 75006 PARIS	FRANCE			
Nouvelles EXpertises et Talents AM – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	100.00	100.00
Siparex Proximité Innovation – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	26.50	26.50
SPV Jarna – 9B Boulevard Prince Henri – 1724 LUXEMBOURG	LUXEMBOURG	12/18	100.00	100.00
Tages Capital LLP – 39 St James' Street – LONDON	UK	12/18	19.00	19.00
Union Générale des Placements – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/18	63.33	30.13
Veritas Institutional GmbH – Messberg 4 – 20095 HAMBURG	GERMANY			
La Française AM GmbH – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY			
Veritas Management GmbH – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY			
Veritas Portfolio GmbH KG – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY	12/18	100.00	100.00
TOTAL THIRD-PARTY MANAGEMENT				
Services and Other Activities division				
Actéa Environnement – 5/7 Rue Frédéric Degeorge – 62000 ARRAS	FRANCE	12/18	100.00	100.00
Euro-Information – 34 Rue du Wacken – 67000 STRASBOURG	FRANCE	12/18	10.15	10.15
Financière Nord Europe – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
Fininmad (realtor)	FRANCE	12/18	100.00	100.00
Nord Europe Participations et Investissements – 4 Place Richebé – 59000 LILLE	FRANCE	12/18	100.00	100.00
SCI Centre Gare	FRANCE	12/18	100.00	100.00
Transactimmo – 1 Rue Arnould de Vuez – 59000 LILLE	FRANCE	12/18	100.00	100.00
TOTAL SERVICES AND OTHER ACTIVITIES				

(1) EM: Equity method.
FC: Full Consolidation

TOTAL GROUP

Contribution to net profit/(loss) *(in € thousands)*	Consolidation method[1]	Closing date	Percentage Control	Percentage Interest	Contribution to net profit/(loss) *(in € thousands)*	Consolidation method[1]
-18,622	FC	12/19	100.00	100.00	-15,500	FC
125	EM	12/19	31.15	31.15	747	EM
-280	EM	12/19	0.00	0.00	8	NC
		12/19	100.00	100.00	-420	FC
1,009	FC	12/19	0.00	0.00	110	NC
0	EM	12/19	27.09	27.09	0	EM
1,183	EM	12/19	33.73	33.73	2,907	EM
-168	FC	12/19	100.00	100.00	-461	FC
2	EM	12/19	50.00	50.00	-867	EM
4,385	FC	12/19	100.00	100.00	1,067	FC
3,891	FC	12/19	100.00	100.00	21,580	FC
766	FC	12/19	66.00	66.00	566	FC
-83	FC	12/19	100.00	100.00	-1,725	FC
-1,526	FC	12/19	100.00	100.00	-4,423	FC
2,829	FC					
977	FC	12/19	100.00	100.00	-6	FC
7,635	FC	12/19	56.04	47.57	11,891	FC
11,550	FC	12/19	95.96	95.96	13,600	FC
1,445	FC	12/19	100.00	95.96	6,834	FC
-83	FC	12/19	100.00	95.96	3,211	FC
-1,585	FC	12/19	100.00	100.00	1,238	FC
564	FC	12/19	49.10	49.10	704	FC
		12/19	100.00	100.00	-1,098	FC
714	FC	12/19	100.00	100.00	862	FC
525	EM	12/19	26.50	26.50	725	EM
-1	FC					
250	EM	12/19	19.00	19.00	0	EM
1,008	FC	12/19	63.33	30.13	1,863	FC
		12/19	100.00	100.00	-2	FC
		12/19	100.00	100.00	0	FC
		12/19	100.00	100.00	1	FC
0	FC	12/19	100.00	100.00	1,104	FC
16,510					**44,516**	
-26	FC	12/19	100.00	100.00	-10	FC
11,302	EM	12/19	10.15	10.15	13,565	EM
-53	FC	12/19	100.00	100.00	-12	FC
-58	FC	12/19	100.00	100.00	-26	FC
-533	FC	12/19	100.00	100.00	-943	FC
2,134	FC	12/19	100.00	100.00	4,119	FC
-196	FC	12/19	100.00	100.00	-58	FC
12,570					**16,635**	
134,069				**TOTAL GROUP**	**162,280**	

6

LIST OF CONSOLIDATED SCIS (PROPERTY INVESTMENT COMPANIES)

	Country	Closing date	Percentage Control	Percentage Interest	Consolidation method[1]	Closing date	Percentage Control	Percentage Interest	Consolidation method[1]
SCI CMN	FRANCE	12/18	100.00	100.00	FC	12/19	100.00	100.00	FC
SCI CMN 1	FRANCE	12/18	100.00	100.00	FC	12/19	100.00	100.00	FC
SCI CMN 2	FRANCE	12/18	100.00	100.00	FC	12/19	100.00	100.00	FC
SCI CMN 3	FRANCE	12/18	100.00	100.00	FC	12/19	100.00	100.00	FC
SCI CMN Location	FRANCE	12/18	100.00	100.00	FC	12/19	100.00	100.00	FC
SCI RICHEBE INKERMAN	FRANCE	12/18	100.00	100.00	FC	12/19	100.00	100.00	FC

ENTITIES CONSOLIDATED USING THE SIMPLIFIED METHOD IN THE CONTEXT OF THE APPLICATION OF IFRS 10

		12/31/18		12/31/19	
	Country	% owned	Non-controlling interests recognized *(in € thousands)*	% owned	Non-controlling interests recognized *(in € thousands)*
FERI IV	FRANCE	57.50%	4,048	57.50%	4,410
FORUM GLB INVEST SCS	LUXEMBOURG	36.90%	9,911	36.90%	2,915
La Française LUX – JKC Asia Bond 2023 – Class I (C) USD	LUXEMBOURG	37.05%	6,816		
La Française LUX – Global Credit Duration Hedged – I (C) EUR	LUXEMBOURG	86.63%	4,960		
Newalpha Opportunites Entrepreneurs – I units	FRANCE	49.11%	9,289	50.54%	10,783
NEXT INVEST	FRANCE	50.00%	17,089	50.00%	2,700
BEOBANK FUNDS – BEOBANK Dynamic Fund – A Class	BELGIUM	37.12%	8,551		
BELGIAN CREDIT OPPORTUNITIES	BELGIUM			54.04%	17,142
FCP Outlook – C shares	FRANCE			79.23%	4,411
TOTAL CONSOLIDATION USING SIMPLIFIED METHOD			**60,665**		**42,360**

REMINDER: CHANGES IN CONSOLIDATION SCOPE DURING THE PERIOD

	Company name
Inclusions	
Creations	CMNE Grand Paris
Previously held entities	Augur PM Beteiligungs Newtown Square Veritas Institutional La Française AM GmbH (ex Veritas Investment GmbH) Veritas Management
Deconsolidated	
Removals	Theia Viager CD Partenaires Alger Management
Liquidation	FCP Richebé Gestion CMNE Home Loans
Name change	
	Veritas Investment GmbH becomes La Française AM GmbH
Inter-division reclassification:	
Of Asset Management Bankinsurance France division	La Française Global Investments SPV JARNA

6.6.9 Consolidation principles

6.6.9.1 Restatements and eliminations

Significant transactions between fully-consolidated entities are eliminated. Significant transactions are those that give rise to income and expense amounts exceeding €200 thousand and balance sheet and commitment amounts exceeding €1,000 thousand. It should be noted that securities issued by a consolidated entity and held by a Group insurance company as an investment representing a unit-linked contract are not eliminated; this means that asset/liability matching can be carried out for this type of life insurance contract.

Gains and losses on internal disposals are also eliminated.

Generally speaking, all of the consolidated entities apply the Group's accounting principles.

Conversion of foreign currency accounts

The consolidated financial statements of the CMNE Group are expressed in euros. All asset and liability items, both monetary and non-monetary, are translated based on the exchange rate applicable at the year-end closing date. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "*Translation adjustments*". Income and expenses are translated at the average exchange rate for the period. The resulting translation differences are recorded under "*Cumulative translation adjustments*".

Business combinations and goodwill valuation

In accordance with IFRS 3R, when the Bank 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 at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount.

The acquisition cost is equal to the fair value on the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the company acquired. The costs directly related to the transaction are recognized under income for the period.

The goodwill represents the difference between the acquisition cost and the buyer's share in the fair value of the assets, liabilities and contingent liabilities identifiable on the acquisition date. 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*".

Earn-outs are incorporated into the acquisition cost at their fair value on the date control is obtained, regardless of their nature. A corresponding entry is made under equity or debt (depending on the settlement method). Subsequent goodwill revisions are recorded under income for financial debt covered by IFRS 9 and based on the appropriate standards for debt not covered by IFRS 9. In the case of equity instruments, such revisions are only recorded after settlement.

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

Positive goodwill is tested for impairment to ensure there is no sustained impairment. These changes in value are assessed within Cash Generating Units (CGU), which correspond to the Group's business divisions. If the recoverable amount of the cash-generating unit to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – which are recognized through the income statement – cannot be reversed. The recoverable value of the CGU, which is calculated during these tests, is considered to be its market value. The market value corresponds to the amount that is likely to be obtained from the sale of the CGU based on the market conditions that prevail on the valuation date. The market references primarily constitute the fair value of the entities that make up the CGU based on formulas set out in shareholder agreements or prices observed for comparable entities during recent transactions or established on the basis of multiples. Where relevant, the recoverable value may also be based on the value in use. This is calculated based on an estimate of the CGU's future cash flows as set out in the projections established each year by the management of the CGU and approved by the Group's Executive Management, and an analysis of the relative long-term positioning of the activities concerned on their market. These cash flows are discounted at a rate that reflects the level of return expected by an investor for the type of activity and geographic region concerned.

Where goodwill relates to an associate or joint venture, it is included in the carrying amount of the equity method. In this case, it is not tested for impairment separately from the equity value. When its recoverable amount (i.e. the higher of value in use and fair value less costs to sell) is less than its carrying amount, an impairment loss is recognized and is not allocated to a particular asset. Any reversal of this impairment loss is recognized to the extent that the recoverable amount of the equity method subsequently increases.

6.6.10 Preparation of the statement of cash flows

The presentation is based on the indirect method. To calculate the net cash flows from operating activities, income is adjusted to take account of non-cash items and items for which the cash effects are investment or financing cash flows.

Cash and cash equivalents are defined based on their intrinsic characteristics, such as immediate availability or conversion in the short term into a known cash amount the value of which is not likely to change significantly.

Cash includes cash on hand and deposits with and loans from the central bank.

Cash equivalents comprise demand or overnight loans and borrowings from credit institutions.

The various cash flows for a fiscal year are classified based on their intended use under operating, investment or financing activities, bearing in mind that any one transaction may include flows that can be classified under different activities.

Operating cash flows are those arising from operating activities that give rise to the bulk of income, including proprietary trading activities. Operating activities include cash flows relating to securities stated at fair value through profit or loss and variable-income securities, which comprise short-term investments or relating to portfolio investment activities, and available-for-sale fixed-income securities.

Cash flows associated with other transactions affecting financial assets or liabilities include changes in the fair value arising from variations in financial assets and liabilities stated at fair value through profit or loss.

By default, cash flows that do not meet the definition of investing or financing activities are included under this activity.

Investing activities are defined as the acquisition and sale of long-term assets and other investments that are not included under cash equivalents or operating activities. They notably include participating interests and other long-term variable-income securities which are not linked to the portfolio investment activities and fixed-income securities held to maturity.

Cash flows relating to financing activities include changes in capital and changes linked to the issuance or repayment of loans or subordinated debt. The Group opted to classify securities traded on the interbank market and negotiable debt securities under operating activities.

Since they do not comprise resources assigned to the activities that generate them, the income (interest and dividends) from investing activities and interest from financing activities are assigned to the operating activities. The proceeds from disposals, before tax, however, continue to be assigned to the activity to which they relate.

III. ACCOUNTING PRINCIPLES

6.6.11 Financial instruments under IFRS 9

6.6.11.1 Classification and measurement of financial instruments

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

Loans, receivables and debt securities acquired

The asset is classified:

- *at amortized cost*, if it is held with a view to collecting contractual cash flows and if its characteristics are similar to those of a so-called basic agreement, see the section below "Characteristics of cash flows" (hold to collect model);
- *at fair value through other comprehensive income*, if the instrument is held with a view to both collecting contractual cash flows and selling the asset based on opportunities, but not for trading purposes, and if its characteristics are similar to those of a so-called basic agreement that implicitly entails a high predictability of the related 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, on the part of the borrower or the lender, to repay the financial instrument early is compatible with the SPPI[1] (Solely Payment of Principal and Interest) nature of the contractual cash flows insofar as the amount repaid essentially represents the principal balance and accrued interest and, where applicable, a reasonable compensatory payment.

The early repayment penalty is considered 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.

(1) SPPI: Payment of Principal and Interest only.

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 undiscounted contractual cash flows of the financial asset and those of the benchmark instrument is or may become significant, the financial asset cannot be considered 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 set of reasonably possible scenarios. For this the Group has used yield curves since 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.

It should be noted that:

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

Business model

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

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, schedule and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

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

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;
- Exceptional (in particular, related to 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 in accordance with a model based on the collection of contractual cash flows from financial assets and on the sale of these assets, and a specific model for other financial assets, including trading assets.

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

Finally, financial assets held for trading include securities acquired at inception with the intention of selling them within a short period of time, 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 includes estimated cash flows, without taking into account future credit losses, as well as commissions paid or received when they are treated as interest, directly related transaction costs and all premiums and discounts.

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

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

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

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

The restructuring of a loan due to the borrowers' financial problems, as this concept has been defined by the European Banking Authority, has been integrated into the information systems to ensure consistency between the accounting and prudential definitions.

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

Financial assets at fair value through shareholders' equity

Since the Group does not sell its loans, this category includes only securities. These are recognized at fair value at the time of 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 or deferred gains and losses recognized through other comprehensive income are only transferred to the income statement in the event of disposal or a lasting impairment in value.

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 on initial recognition and at subsequent reporting dates until their disposal. Changes in fair value and interest received or accrued on assets included in this category are taken to the income statement under "*Net gain/loss on financial instruments at fair value through profit or loss*".

As from January 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under "*Net gains/(losses) on financial instruments at fair value through profit or loss*". This change was made for the sake of consistency with 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 the interest income/(expense) of trading instruments, the Group has also reviewed the recognition and presentation in net banking income of the interest income/(expense) of some of these financial instruments at fair value through profit or loss and has made the following restatements in particular:

(i) recording of interest on the lending and borrowing legs of transaction swaps in a globally compensated form; and

(ii) reclassification of interest on hedging derivatives from "*interest income/(expense) on hedging derivatives*". As a result, and for comparability purposes with interest income/(expense) as of December 31, 2019 presented according to this definition, the figures published as of December 31, 2018 have been restated in notes 20 and 22.

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

Equity instruments acquired

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

- at fair value through profit or loss;
- or on option, at fair value through comprehensive income, on initial recognition, irrevocably, as long as they are not held for trading.

Equity instruments which the Group has elected to be classified in this category correspond, generally, to strategic holdings.

Financial assets at fair value through equity

Shares and other equity instruments are carried at fair value at the time of 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 gains and losses recognized through other comprehensive income are never taken to profit or loss, including in case of disposal. 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 (see above).

6.6.11.2 Classification and measurement of financial instruments

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

Financial liabilities at fair value through profit or loss

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

The changes in fair value, resulting from the own credit risk for liabilities designated under the fair value through profit or loss option, are recognized in unrealized or deferred gains and losses in OCI, that may not be recycled to profit or loss.

The Group is marginally affected by the own credit risk issue.

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 securities created by the Sapin 2 law.

These liabilities are initially recognized at fair value and then measured at amortized cost using the effective interest rate method at subsequent reporting dates. 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 to the bank, compared to the interest rates offered by the bank to individual customers on similar, but non-regulated, products. This approach is based on homogeneous generations of regulated terms for the PEL and the CEL. The impact on profit or loss is recorded under interest paid to customers.

6.6.11.3 Distinction between debt and shareholders' equity

According to the IFRIC 2 interpretation, members' shares are shareholders' equity if the entity has an unconditional right to refuse redemption or if there are legal or statutory provisions prohibiting or significantly limiting redemption. In view of the existing legal or statutory provisions, the shares issued by the structures making up the consolidating entity of CMNE are recognized in equity.

The other financial instruments issued by the Group qualify as debt instruments for accounting purposes, where there is a contractual obligation for the Group to provide cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

6.6.11.4 Foreign exchange 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 gain/loss on financial instruments at fair value through profit or loss*".

Non-monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement if the items are classified as at fair value through profit or loss under "*Net gain/loss on financial instruments at fair value through profit or loss*", or under "*Unrealized or deferred gains and losses*" if they are classified as financial assets at fair value through equity.

6.6.11.5 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 Crédit Mutuel Nord Europe Group has elected to continue to apply the provisions of IAS 39. Additional information will be included in the notes or in the management report, however, on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

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

Derivatives are financial instruments which have the following three characteristics:

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

The Crédit Mutuel Nord Europe Group uses simple derivatives (swaps, plain vanilla options, etc.), mainly interest rate derivatives classified mostly in level 2 of the fair value hierarchy.

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

6.6.11.6 Determining the fair value of derivatives

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

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Derivative instruments are recorded as financial assets when their market value is positive and as financial liabilities when their market value is negative.

With regard to the principles used for the calculation of DVAs/CVAs, it is understood that:

- intra-Group operations are not included given the solidarity rules applied within the CM CIC Group;
- calculations were made to establish that the impact of collateralized transactions (interbank exclusively) is not or is only slightly material, depending on the calculation rules used.

As such, no DVA/CVA is recorded for this fiscal year-end.

6.6.11.7 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 qualified as hedging instruments pursuant to IFRS are classified as "*Financial assets or liabilities at fair value through profit or loss*", even if their economic purpose is to hedge one or more risks.

Embedded derivatives

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

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

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

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

Recognition

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

Hedge accounting

Risks hedged

The Crédit Mutuel Nord Europe Group hedges only interest rate risk for accounting purposes, through micro-hedges or more globally through macro-hedges.

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. CMNE uses cash flow hedging, notably in relation to the deeply subordinated notes issued in 2004;
- the hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The Group has not used this form of hedging.

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

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

Where applicable, hedge accounting is discontinued prospectively.

Fair value hedge of identified financial assets or liabilities

In a fair value hedging relationship, the derivative instrument is remeasured at fair value through profit or loss, under the line item "*Net gain/loss on financial instruments at fair value through profit or loss*" symmetrically with the remeasurement of the hedged items through profit or loss to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or if it is a debt instrument classified within "*Financial assets at fair value through equity*". Changes in the fair value of the hedging instrument and the hedged risk component partially or fully offset each other. As a result, all that remains is the possible ineffective portion of the hedge. This can result from:

- 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 a derivative financial instrument is recorded in the income statement under the line item "*Interest income*", symmetrically to the interest income or expenses 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. Hedging derivatives are reclassified as "*Financial assets or liabilities at fair value through profit or loss*" and are recognized according to the principles applied to that 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 uses the option set out by the European Commission for recognizing macro-hedging transactions. The changes introduced by the European Union to IAS 39 (carve-out) allow customer demand deposit accounts to be included in hedged fixed-rate liability portfolios without any need to measure ineffectiveness in the event 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, the derivatives are remeasured at fair value in the statement of financial position with a corresponding entry for the effective portion under equity. The ineffective portion of the hedge is recognized in the income statement under "*Net gain/loss on financial instruments at fair value through profit or loss*".

The amounts recognized in other comprehensive income are reclassified to the income statement under the "*Interest income/expense*" heading, at the same rate as the cash flows of the hedged item affect the income statement.

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. Cumulative amounts recognized in other comprehensive income as a result of the remeasurement of a hedging derivative remain recognized in other comprehensive income until the hedged transaction affects profit or loss or when it becomes apparent that the transaction will not take place; these amounts are then 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.

6.6.11.8 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, these financial guarantees are still measured using French GAAP (i.e. as off-statement of financial position items), pending an addition to the standards to enhance the current mechanism. 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.

6.6.11.9 Derecognition of financial assets and liabilities

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

Upon derecognition of:

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

The Group derecognizes a financial liability when the obligation specified in the contract is extinguished, is cancelled 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.

6.6.11.10 Measurement of credit risk

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

Under the IFRS 9 model, impairment provisions are recognized for financial assets for which there is no objective evidence of losses on an individual basis, based on past losses observed and reasonable and justifiable cash flow forecasts.

The impairment model under IFRS 9 therefore applies to all debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as to financing commitments and financial guarantees.

These outstandings are split 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 the default risks over the entire residual life of the instrument) if the credit risk has increased significantly since initial recognition;
- status 3 – non-performing receivables: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. The scope of this category is the same as that for loans impaired individually under IAS 39.

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

Governance

The models for compartment allocation, forward-looking scenarios, and parameter calculation methods constitute the methodological basis for impairment calculations. They are approved at the highest level within the Group and the intention is that they will be applied within all entities, according to the portfolios concerned.

The entire methodological basis, any subsequent changes to the methodology, scenario weightings or parameter calculations, as well as the provision calculations, must be approved by the Crédit Mutuel Group's managing 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 in force within the Crédit Mutuel Group governs the allocation of the responsibilities as regards the asset impairment calculation procedures between the national and regional levels. These responsibilities are defined as follows:

- at the national level, the Basel III work group approves the national procedures, models and methodologies to be applied by the regional groups;
- at regional level, the regional groups are responsible for calculating their IFRS provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between statuses 1 and 2

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

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns and specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts, etc.;
- high default portfolios (HDP, which present a sufficient number of defaults to enable a statistical rating model to be drawn up): mass corporate, retail. The main components of these portfolios are home loans, consumer credit, revolving credit facilities, 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 all reasonable and supportable information into account;
- and comparing the default risk on the financial instrument on the reporting date with the default risk on 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 the Group's counterparties eligible for internal approaches are rated by the system. This system is based on:

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

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 the customer's outstanding loans or those of related parties (absence of contagion).

It should be noted that the Group reclassifies immediately as status 1 any performing exposure that no longer meets the criteria (both qualitative and quantitative) for inclusion in status 2.

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

Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date. Thus, the riskier the rating of the loan, the less the relative tolerance of the Group towards significant deterioration of the risk.

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

Qualitative criteria

As well as the above quantitative data, the Group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.

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

Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan, discounted at the contract rate, by its probability of default (PD) and by the loss given default (LGD) rate. The off-statement of financial position exposure is converted to an on-statement of financial position equivalent based on the probability of a drawdown. The one-year probability of default is used for status 1 and the probability curve at termination (one to ten years) for status 2.

These parameters are based on a framework common to the prudential models, with the formulae being adapted to IFRS 9 requirements. They are used for both assignment to the statuses and the calculation of expected losses.

Probability of default

This is based:

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

Loss given default

This is based:

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

Conversion factors

For all products, including revolving credit facilities, these are used to convert off-statement of financial position exposure to an on-statement of financial position equivalent and are mainly based on the prudential models.

Forward-looking aspect

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

For high default portfolios, the forward-looking dimension included in the probability of default combines three scenarios—optimistic, neutral and pessimistic—which are weighted to reflect the Group's 5-year forecast of the business cycle, arrived at by the Chief Executive Officers of the regional groups and of the Crédit Mutuel Group. The Group relies mainly on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) supplied by the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

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

The forward-looking aspect for maturities other than one year is derived in particular from the forward-looking aspect for the one-year maturity.

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

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

Status 3 – Non-performing loans

Under status 3, impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Since November 2019, the Crédit Mutuel Group has applied the new definition of prudential default in accordance with the EBA guidelines and the technical regulatory standards on the concepts of applicable materiality thresholds.

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

- the analysis of the default is carried out at the level of the borrower and no longer at the level of the contract;
- the number of days unpaid or overdue is assessed at the level of one borrower (obligor) or a group of borrowers (joint obligor) with a common commitment;
- default is triggered when 90 consecutive days of payments not made or overdue are noted at the level of a borrower/borrower group. The counting of the number of days is started when the absolute (€100 Retail, €500 Corporate) and relative (more than 1% of balance sheet commitments overdue) materiality thresholds are exceeded at the same time. The meter is reset as soon as one of the two thresholds is lowered;
- the scope of default contagion extends to the totality of the borrower's claims, and to the individual commitments of borrowers participating in a joint credit obligation;
- the minimum probationary period is three months before return to sound status for non-restructured assets.

The Crédit Mutuel Group has chosen to deploy the new definition of default according to the two-step approach proposed by the EBA:

- step 1 – it consists of submitting a self-assessment and a request for authorization to the supervisor. The deployment agreement was obtained by the Group in October 2019;
- step 2 – it consists in implementing the new default definition in the systems, then recalibrating the models after a 12-month observation period of the new defaults.

The Group believes that the new definition of default as required by the EBA is representative of objective evidence of impairment in the accounting sense. The Group has thus aligned the definitions of accounting default (status 3) and prudential default.

Originated credit-impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category, and provisioned based on the same method used for exposures in status 2, i.e. an expected loss over the residual maturity of the contract.

Recognition

Impairment charges and provisions are recorded in net additions to provisions for loan losses. Reversals of impairment charges and provisions are recorded in net reversals from provisions 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. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under "*Provisions*" in liabilities for financing and guarantee commitments. For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under "Net provision allocations/reversals for loan losses" is booked to "*Unrealized or deferred gains and losses*"

Loan losses are written off and the corresponding impairments and provisions are reversed.

6.6.11.11 Determining the fair value of financial instruments

Fair value is the amount at which an asset may be sold or a liability transferred between knowledgeable, willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

Financial instruments traded in an active market

When instruments are traded on an active market, the fair value is determined based on the quoted prices because these represent the best possible estimate of the fair value at that time. A financial instrument is considered to be listed on an active market if prices are easily and regularly available (from a stock market, broker, intermediary or quotation system) and these prices represent actual and regular arm's length transactions.

Financial instruments not traded in an active market

The data observable on a market are to be used provided that they reflect a transaction's reality in normal conditions at the date of valuation and that it is not necessary to make too large an adjustment to this value. In the other cases, the Group uses non-observable mark-to-model data.

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. In particular, these valuation adjustments enable the inclusion of risks that are not captured by the model: liquidity risks associated with the instrument or parameter in question; specific risk premiums intended to compensate for additional costs that an active management strategy associated with the model would involve under certain market conditions.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In any event, the adjustments applied by the Group are reasonable and appropriate and rely on judgments made.

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 assets or liabilities that are not observable market data. The main constituents of this category are equity investments 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.

6.6.12 Insurance business line

The Group's insurance divisions governed by the Financial Conglomerates directive may defer the application of IFRS 9 until 2021, as provided by the amendment to IFRS 4 as adopted by the European Union. Their financial instruments will therefore continue to be measured and recognized under IAS 39. In terms of presentation, the Group has chosen to adopt an "IFRS" approach, which allows all financial instruments to be grouped under IAS 39 on lines specific to the asset or liability, rather than strictly applying Recommendation 2017-02 of the French accounting standards authority (Autorité des Normes Comptables – ANC), which involves presenting on certain lines instruments under IAS 39 and under IFRS 9. Therefore, all financial instruments of the insurance divisions are combined, under assets, on the line "*Investments by the insurance businesses and reinsurers' share of technical reserves*" and, under liabilities, on the line "*Liabilities related to policies of the insurance businesses*", including technical reserves. The reclassification also affects investment property. The impact in the income statement of financial instruments and technical provisions is included under "*Net income from insurance activities*". Other assets/liabilities and income statement items are presented under the common "bankinsurance" headings. When they are relevant, the disclosures under IFRS 7 are provided separately for the insurance divisions.

In accordance with the regulation on adoption of November 3, 2017, the Group ensures that there are no transfers of financial instruments between the insurance sector and the other sectors of the conglomerate that would lead to a derecognition of the instruments. The only exception is in the case of financial instruments recognized at fair value through profit or loss in both sectors.

The accounting policies and valuation methods applying to the assets and liabilities generated by the issuing of insurance contracts are established pursuant to IFRS 4. They also apply to reinsurance contracts issued or effected, and to financial contracts that have a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the Group's assets and liabilities.

6.6.13 Non-financial instruments

6.6.13.1 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. Title may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

Finance leases – lessor accounting

In accordance with IFRS 16, finance lease transactions with non-Group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease. Finance lease transactions transfer substantially all the risks and rewards incidental to ownership of the leased property to the lessee.

Thus, the analysis of the economic substance of the transaction results in:

- removal of the leased asset from the balance sheet;
- recognition of a receivable in financial assets at amortized cost, for a present value at the rate implicit in the contract, of the lease payments to be received under the finance lease, plus any unguaranteed residual value due to the lessor;
- recognition of deferred taxes for existing temporary differences throughout the life of the finance lease;
- recognition, in net interest margin, of the net income from the leasing transaction, which is representative of the constant periodic rate of return on the outstanding balance.

Credit risk related to financial receivables is measured and recognized under IFRS 9.

Finance leases – lessee accounting

In accordance with IFRS 16, non-current assets are recorded on the asset side of the balance sheet with an offsetting entry under "other liabilities". Lease payments are broken down between principal repayments and interest (see "Non-current assets leased by the Group" note).

6.6.13.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted, where appropriate, to determine the amount of the provision.

The provisions made by the Group cover in particular:

- operating risks;
- social commitments;
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to mortgage saving agreements.

6.6.13.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "*Provisions*". A change in this item is recognized in the income statement under the "*Payroll costs*" heading, except for the portion resulting from actuarial variances, which is recognized as "*Unrealized or deferred gains or losses*" in equity.

Post-employment benefits under a defined benefit plan

These benefits include retirement plans, early retirement pensions, and additional retirement plans, under which the Group has a formal or implicit liability to provide benefits promised to employees.

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:

- the discount rate, determined by reference to the issuance rates of companies with an AA rating depending on the term of the commitment;
- the rate of wage increase, assessed according to the age group, and the management/non-management category;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations over the total number of employees working in the company under permanent contracts at the financial year-end;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

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

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Any plan curtailments or terminations generate a change in the obligation, which is recognized in the income statement when it occurs.

Retirement Benefits

Employees' retirement bonuses are calculated based on the length of their presence in the company and their gross salary, in accordance with the collective agreement applicable to the Group.

Actuarial gains or losses are recognized as "*Unrealized or deferred gains and losses*" under equity. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Post-employment benefits under a defined contribution plan

The Group's entities contribute to a number of pension plans managed by organizations that are independent from the Group, for which the entities have no additional formal or implicit payment obligation, in particular if the assets in the pension plans are not sufficient to meet liabilities.

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.

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 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 for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

Termination benefits

These are benefits granted by the Group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the Group voluntarily in exchange for an indemnity.

The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

Short-term benefits

These are benefits, other than termination benefits, payable within the 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

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.

6.6.13.4 Share-based payments

Share-based payments concern transactions for which payment is linked to the shares issued by the Group, settled through payment in shares or in cash, for an amount that depends on changes in the value of the shares.

The cost borne by the Group is assessed based on the fair value on the date of notification of the share purchase or subscription options awarded by certain subsidiaries. The overall cost of the plan is calculated by multiplying the unit value of the option by the estimated number of options that will be issued at the end of the vesting period, taking into account the presence conditions applicable to the beneficiaries.

The expense is recognized under payroll expense once notified and is spread over the vesting period of the rights without waiting, where applicable, for the vesting conditions of the award to be fulfilled or for the beneficiaries to exercise their options.

For plans that are settled by payment in shares, the expense entry is offset by a corresponding increase in equity.

For plans that are settled in cash, the corresponding entry is recorded under debt. This liability is remeasured until extinction in accordance with the fair value of the share. A value adjustment is also entered under payroll expense.

6.6.13.5 Non-current assets and depreciation/amortization

Non-current assets owned by the Group

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.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable.

Subsequent to initial recognition, property, plant and equipment are measured using the historical cost method, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

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 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 of assets used in operations is recognized in "*Depreciation, amortization and impairment of non-current 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:

- buildings – shell: 10-30 years (depending on type of building);
- buildings – equipment: 10-25 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: 1-3 years.

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges relating to operating assets are recognized in the income statement *in "Depreciation, amortization and impairment of non-current operating assets*".

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 as at each reporting date: this is obtained from independent experts by reference to the market.

Non-current assets leased by the Group

The definition of leases involves, first, the identification of an asset and, second, the lessee's control of the right to use this asset.

For the lessee, operating leases and finance leases will be accounted for based on a single model, with recognition of:

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

The Group mainly capitalizes its real estate leases, with the exception of those with an effective tacit renewal clause (taking into account the 6-month notice period for termination). IT and safety equipment has been excluded on the grounds of its substitutability, in accordance with the standard.

Other underlying assets were excluded via the short term and low value exemptions (set at €5,000). The Group does not have any leases that could give rise to the recognition of intangible assets or investment property.

Accordingly, rights of use are recorded under "property, plant and equipment" and lease commitments under "other liabilities". Lease rights are reclassified as property, plant and equipment when they relate to contracts that are not tacitly renewed. Rights of use and rental obligations are subject to deferred tax assets or liabilities for the net amount of taxable and deductible temporary differences.

In the income statement, interest charges are shown under "interest margin", while depreciation and amortization charges are shown under "general operating expenses".

For the calculation of the rental obligation are used:

- the contractual duration. On commercial leases, the Group follows the French accounting standard authority's position, in application of the contractual provisions: any new lease of this type will be capitalized over a nine-year term. From an accounting standpoint, there is no option to renew the lease at the end of the term and, consequently, the period during which the contract is enforceable is generally 9 years, given the Group's choice of establishment;
- discount rate. It is the marginal rate of leverage corresponding to the chosen duration. This is a rate that can be amortized by the Group's central refinancing unit;
- rent before tax. The Group is only marginally affected by variable rents.

6.6.13.6 Commission income and expense

The Group recognizes in profit or loss commission income and expenses on services depending on the type of services to which they relate.

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.

6.6.13.7 Deferred tax

Pursuant to IAS 12, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and their tax base. As such, restatements based on the application of IFRS are also subject to the calculation of deferred taxes.

Deferred tax assets and liabilities are calculated using the liability method, based on the tax rate known at the fiscal year end and applicable to future periods.

Deferred tax assets are recognized only if there is a strong likelihood that they will be recovered by means of an anticipated taxable profit.

Current and deferred taxes are recognized as tax income or expense in the income statement, except deferred taxes relating to unrealized or deferred gains and losses recognized in other comprehensive income, for which the corresponding deferred tax is taken directly to other comprehensive income.

Deferred tax assets and liabilities are offset when they arise within a single tax entity or tax group, are subject to the tax laws of the same country, and there is a legal right of offset.

Deferred tax is not discounted.

6.6.13.8 Interest borne by the State for certain loans

Within the framework of aid to the rural and agricultural sector, as well as the purchase of residential property, some Group entities provide loans at low interest rates, set by the Government. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

Government subsidies received are recognized under "*Interest and similar income*" and allocated over the life of the corresponding loans, in accordance with IAS 20.

6.6.13.9 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 statement of financial position, 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*".

IV. NOTES TO THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Detailed summary of notes

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTES TO THE INCOME STATEMENT

NOTES TO THE STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY

(Notes are presented in € thousands)

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTE 0 Impacts of the first-time application of IFRS 16

Rights of use – Real estate	107,239
Rights of use – Others	4,260
TOTAL	**111,499**

Rental obligations – Real estate	107,239
Rental obligations – Others	4,260
TOTAL	**111,499**

The effect at January 1, 2019 of the application of IFRS 16 leads to an increase in property, plant and equipment of €111,499 thousand with a counterpart for a debt classified under "Other liabilities".

NOTE 1 Cash and amounts due from central banks

	12/31/19	12/31/18	Change	
Cash, central banks – asset				
Due to central banks	996,493	890,326	106,167	12%
of which mandatory reserves	*158,827*	*149,661*	*9,166*	*6%*
Cash	82,249	91,801	-9,552	-10%
TOTAL	**1,078,742**	**982,127**	**96,615**	**10%**

NOTE 2 Financial assets at amortized cost

	12/31/19	12/31/18	Change	
Loans and receivables to credit institutions	2,922,805	3,592,807	-670,002	-19%
Loans and receivables due from customers	17,373,111	16,579,721	793,390	5%
Securities at amortized cost	150,442	146,606	3,836	3%
TOTAL	**20,446,358**	**20,319,134**	**127,224**	**1%**

2 a Loans and receivables due from credit institutions at amortized cost

	12/31/19	12/31/18	Change	
Performing loans (S1/S2)	2,900,288	3,569,361	-669,073	-19%
Crédit Mutuel network accounts[1]	*2,339,962*	*2,089,023*	*250,939*	*12%*
Other ordinary accounts	*101,874*	*378,506*	*-276,632*	*-73%*
Loans	*31,155*	*500,000*	*-468,845*	*-94%*
Other receivables	*226,211*	*243,550*	*-17,339*	*-7%*
Resale agreements	*201,086*	*358,282*	*-157,196*	*-44%*
Individually-impaired receivables, gross (S3)	0	0	0	
Accrued interest	22,518	23,456	-938	-4%
Impairment of performing loans (S1/S2)	-1	-10	9	-90%
TOTAL	**2,922,805**	**3,592,807**	**-670,002**	**-19%**

(1) Mainly outstanding CDC (Caisse des Dépôts et Consignations) repayments relating to LEP, LDD and Livret bleu and Livret A passbook savings accounts.

2 b Loans and receivables due from customers at amortized cost

	12/31/19	12/31/18	Change	
Performing loans (S1/S2)	15,540,031	14,837,053	702,978	5%
• Commercial loans	4,243	3,442	801	23%
• Other customer receivables	15,508,317	14,804,234	704,083	5%
• *home loans*	*8,998,928*	*8,344,759*	*654,169*	*8%*
• *other loans and receivables[1]*	*6,509,389*	*6,459,475*	*49,914*	*1%*
• Accrued interest	27,471	29,377	-1,906	-6%
Individually-impaired receivables, gross (S3)	873,579	861,175	12,404	1%
Receivables, gross	**16,413,610**	**15,698,228**	**715,382**	**5%**
Impairment of performing loans (S1/S2)	-83,936	-86,742	2,806	-3%
Other impairment (S3)	-488,789	-495,329	6,540	-1%
SUB TOTAL I	**15,840,885**	**15,116,157**	**724,728**	**5%**
Finance leases (net investment)	1,498,919	1,435,514	63,405	4%
• Equipment	1,173,500	1,079,903	93,597	9%
• Real estate	325,419	355,611	-30,192	-8%
Individually-impaired receivables, gross (S3)	53,513	47,519	5,994	13%
Impairment of performing loans (S1/S2)	-8,629	-9,087	458	-5%
Other impairment (S3)	-11,577	-10,382	-1,195	12%
SUB TOTAL II	**1,532,226**	**1,463,564**	**68,662**	**5%**
TOTAL	**17,373,111**	**16,579,721**	**793,390**	**5%**
of which subordinated loans[2]	150,000	150,000	0	0%

(1) Includes guarantee deposits paid to represent payment commitments granted to the Fonds de Résolution Unique (€3,147 thousand) and Fonds de Garantie des Dépôts (€12,168 thousand).

(2) Subordinated loan granted to ACM Vie.

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/18	Increase	Decrease	Other	12/31/19
Gross carrying amount	1,483,033	185,442	-115,091	-952	1,552,432
Impairment of non-recoverable lease payments	-19,469	-7,240	6,859	-356	-20,206
Net carrying amount	1,463,564	178,202	-108,232	-1,308	1,532,226

2 c Securities at amortized cost

	12/31/19	12/31/18	Change	
Securities	150,802	146,802	4,000	3%
• Government securities	0	0	0	
• Bonds and other debt securities	150,802	146,802	4,000	3%
• Listed	0	0	0	
• Unlisted	150,802	146,802	4,000	3%
• Accrued interest	0	0	0	
TOTAL GROSS	**150,802**	**146,802**	**4,000**	**3%**
Of which impaired assets (S3)	*0*	*0*	*0*	
Impairment of performing loans (S1/S2)	-360	-196	-164	84%
Other impairment (S3)	0	0	0	
TOTAL NET	**150,442**	**146,606**	**3,836**	**3%**

NOTE 3 Financial liabilities at amortized cost

3 a Due to central banks and credit institutions

	12/31/19	12/31/18	Change	
Due to central banks	**0**	**0**	**0**	
Due to credit institutions	**1,071,094**	**1,947,293**	**-876,199**	**-45%**
Other ordinary accounts	32,605	26,691	5,914	22%
Borrowings	262,106	702,613	-440,507	-63%
Other debt	123,494	56,071	67,423	120%
Resale agreements	651,014	1,158,281	-507,267	-44%
Related debt	1,875	3,637	-1,762	-48%

3 b Due to customers at amortized cost

	12/31/19	12/31/18	Change	
Special savings accounts	12,714,026	12,222,350	491,676	4%
• *Demand*	*10,197,601*	*9,828,003*	*369,598*	*4%*
• *Term*	*2,516,425*	*2,394,347*	*122,078*	*5%*
Related liabilities on savings accounts	4,418	4,449	-31	-1%
Sub-total	**12,718,444**	**12,226,799**	**491,645**	**4%**
Demand accounts	5,578,110	5,058,541	519,569	10%
Term deposits and borrowings	243,219	264,977	-21,758	-8%
Related debt	2,683	3,530	-847	-24%
Other debt	2,530	985	1,545	157%
Sub-total	**5,826,542**	**5,328,033**	**498,509**	**9%**
TOTAL	**18,544,986**	**17,554,832**	**990,154**	**%**

3 c Debt securities at amortized cost

	12/31/19	12/31/18	Change	
Certificates of deposit	31,273	39,345	-8,072	-21%
Interbank certificates and negotiable debt instruments	1,801,958	1,777,993	23,965	1%
Bonds	784,367	1,100,701	-316,334	-29%
Related debt	11,478	13,880	-2,402	-17%
TOTAL	**2,629,076**	**2,931,919**	**-302,843**	**-10%**

3 d Subordinated debt at amortized cost

	12/31/19	12/31/18	Change	
Subordinated debt	662,271	663,801	-1,530	0%
Participating loans	0	0	0	
Perpetual subordinated debt	150,000	150,000	0	0%
Other debt	0	0	0	
Related debt	7,050	7,271	-221	-3%
TOTAL	**819,321**	**821,072**	**-1,751**	**0%**

CHARACTERISTICS OF THE MAIN COMPONENTS OF SUBORDINATED DEBT

In € millions	Type	Issue date	Amount of Issuance	Fiscal year-end amount	Maturity
CFCMNE perpetual deeply subordinated notes		2004	150,000	150,000	-
CFCMNE structured subordinated notes (8 lines)		2014	41,600	41,600	2024
CFCMNE structured subordinated notes (2 lines)		2014	175,000	175,000	2026
CFCMNE structured subordinated notes (3 lines)		2015	55,000	55,000	2025
CFCMNE subordinated notes (1 line)		2015	40,000	40,000	2027
CFCMNE structured subordinated notes (1 line)		2015	50,000	50,000	2030
CFCMNE subordinated notes (1 line)		2016	300,000	300,000	2026
Other				671	-
Related debt				7,050	-
TOTAL				**819,321**	

NOTE 4 Financial assets at fair value through equity

4 a Financial assets at fair value through equity by type of product

	12/31/19	12/31/18	Change	
Government securities	428,953	497,267	-68,314	-14%
Bonds and other debt securities	2,100,351	2,176,047	-75,696	-3%
• *Listed*	*1,603,179*	*1,563,364*	*39,815*	*3%*
• *Unlisted*	*497,172*	*612,683*	*-115,511*	*-19%*
Accrued interest	10,796	15,396	-4,600	-30%
Debt securities subtotal, gross	**2,540,100**	**2,688,710**	**-148,610**	**-6%**
Of which impaired debt securities (S3)	*0*	*0*	*0*	
Impairment of performing loans (S1/S2)	-761	-790	29	-4%
Other impairment (S3)	0	0	0	
Debt securities subtotal, net	**2,539,339**	**2,687,920**	**-148,581**	**-6%**
Shares and other capital instruments	5,573	3,837	1,736	45%
• *Listed*	*0*	*0*	*0*	
• *Unlisted*	*5,573*	*3,837*	*1,736*	*45%*
Long-term investments	40,215	63,433	-23,218	-37%
• *Equity investments*	*12,028*	*19,301*	*-7,273*	*-38%*
• *Other long-term investments*	*8,937*	*6,619*	*2,318*	*35%*
• *Investments in subsidiaries and associates*	*19,250*	*37,513*	*-18,263*	*-49%*
Sub-total, capital instruments	**45,788**	**67,270**	**-21,482**	**-32%**
TOTAL	**2,585,127**	**2,755,190**	**-170,063**	**-6%**
Of which unrealized capital gains or losses recognized under equity	26,766	3,134	23,632	754%
Of which investments in listed non-consolidated companies	0	0	0	

4 b List of main investments in non-consolidated companies

		% held	Shareholders' equity	Balance sheet total	Net banking income or revenue	Net profit/(loss)
CCCM Paris	Unlisted	13.1%	667,430	4,785,981	17,046	8,222

Data at 12/31/19.

6

NOTE 5 Gross values and movements in impairment provisions

5 a Gross values subject to impairment

	12/31/18	Acquisition/ production	Sale/ repayment	Amendment of flows*	Transfer	Other**	12/31/19
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**3,592,817**	**81,478**	**-752,828**	**0**	**0**	**1,339**	**2,922,806**
• 12-month expected losses (S1)	3,590,050	81,478	-750,061	0	0	1,339	2,922,806
• expected losses at termination (S2)	2,767	0	-2,767	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
Financial assets at amortized cost – loans and receivables due from customers, subject to	**17,181,261**	**4,897,028**	**-3,585,685**	**-453,099**	**-49,828**	**-26,217**	**17,963,460**
• 12-month expected losses (S1)	15,192,052	4,665,247	-3,241,985	-426,209	-145,397	-3,633	16,040,075
• expected losses at termination (S2)	1,080,515	204,835	-304,797	10,766	5,264	-290	996,293
• of which receivables under IFRS 15	0	0	0	0	0	0	0
• expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	907,696	26,386	-38,841	-37,656	90,636	-22,294	925,927
• expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	998	560	-62	0	-331	0	1,165
Financial assets at amortized cost – securities	**146,802**	**147,116**	**-143,116**	**0**	**0**	**0**	**150,802**
• with 12-month expected losses (S1)	146,802	147,116	-143,116	0	0	0	150,802
• 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	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 fair value through other comprehensive income – debt securities	**2,755,980**	**693,809**	**-839,497**	**0**	**0**	**-24,404**	**2,585,888**
• 12-month expected losses (S1)	2,755,980	688,729	-839,497	0	0	-24,404	2,580,808
• expected losses at termination (S2)	0	5,080	0	0	0	0	5,080
• 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 fair value through other comprehensive income – Loans subject to	**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	**23,676,860**	**5,819,431**	**-5,321,126**	**-453,099**	**-49,828**	**-49,282**	**23,622,956**

* *Amendment of flows not giving rise to derecognition.*

** *Of which transfer of buckets.*

5 b Movements in impairment provisions

	12/31/18	Addition	Reversal	Other	12/31/19
Financial assets at amortized cost – loans and receivables due from credit institutions	-10	0	9	0	-1
Financial assets at amortized cost – loans and receivables due from customers	-601,540	-100,719	136,148	-24,238	-590,349
Financial assets at amortized cost – securities	-196	-360	196	0	-360
Financial assets at FVOCI – debt securities	-790	-295	324	0	-761
Financial assets at FVOCI – Loans	0	0	0	0	0
TOTAL	-602,536	-101,374	136,677	-24,238	-591,471

IFRS 9

	12/31/18	Addition	Reversal	Other	12/31/19
Loans and receivables due from credit institutions	**-10**	**0**	**9**	**0**	**-1**
• of which originated credit-impaired assets (S3)	0	0	0	0	0
• 12-month expected losses (S1)	-2	0	1	0	-1
• expected losses at termination (S2)	-8	0	8	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	**-601,540**	**-100,719**	**136,148**	**-24,238**	**-590,349**
• *of which originated credit-impaired assets (S3)*	*-62*	*0*	*0*	*0*	*-62*
• 12-month expected losses (S1)	-47,191	-24,688	21,036	469	-50,374
• expected losses at termination (S2)	-48,638	-8,251	16,239	-1,541	-42,191
• *of which receivables under IFRS 15*	*0*	*0*	*0*	*0*	*0*
• expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-505,711	-67,780	98,873	-23,166	-497,784
• 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	**-196**	**-360**	**196**	**0**	**-360**
• *of which originated credit-impaired assets (S3)*	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	-196	-360	196	0	-360
• 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 – debt securities	**-790**	**-295**	**324**	**0**	**-761**
• *of which originated credit-impaired assets (S3)*	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	-790	-289	324	0	-755
• expected losses at termination (S2)	0	-6	0	0	-6
• 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	-602,536	-101,374	136,677	-24,238	-591,471

	01/01/18	Addition	Reversal	Transfer	Other	12/31/18
Financial assets at amortized cost – loans and receivables due from credit institutions	-45	-8	4	0	39	-10
Financial assets at amortized cost – loans and receivables due from customers	-658,875	-83,653	155,710	-37,625	22,903	-601,540
Financial assets at amortized cost – securities	-148	-49	0	0	1	-196
Financial assets at FVOCI – debt securities	-1,201	-35	447	0	-1	-790
Financial assets at FVOCI – Loans	0	0	0	0	0	0
TOTAL	**-660,269**	**-83,745**	**156,161**	**-37,625**	**22,942**	**-602,536**

IFRS 9

	01/01/18	Addition	Reversal	Transfer	Other	12/31/18
Loans and receivables due from credit institutions	**-45**	**-8**	**4**	**0**	**39**	**-10**
• *of which originated credit-impaired assets (S3)*	*0*	*0*	*0*		*0*	*0*
• 12-month expected losses (S1)	-45	0	4	0	39	-2
• expected losses at termination (S2)	0	-8	0	0	0	-8
• 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	**-658,875**	**-83,653**	**155,710**	**-37,625**	**22,903**	**-601,540**
• *of which originated credit-impaired assets (S3)*	*-4*	*-58*	*0*	*0*	*0*	*-62*
• 12-month expected losses (S1)	-47,831	-21,183	13,457	3,295	5,071	-47,191
• expected losses at termination (S2)	-46,089	-16,501	13,979	-8,771	8,744	-48,638
• *of which receivables under IFRS 15*	*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	-564,955	-45,969	128,274	-32,149	9,088	-505,711
• 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	**-148**	**-49**	**0**	**0**	**1**	**-196**
• *of which originated credit-impaired assets (S3)*	*0*	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	0	-49	0	0	-147	-196
• expected losses at termination (S2)	-148	0	0	0	148	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 – debt securities	**-1,201**	**-35**	**447**	**0**	**-1**	**-790**
• *of which originated credit-impaired assets (S3)*	*0*	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	-1,201	-35	447	0	-1	-790
• expected losses at termination (S2)	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
• expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0
Financial assets at FVOCI – Loans	**0**	**0**	**0**	**0**	**0**	**0**
• *of which originated credit-impaired assets (S3)*	*0*	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	0	0	0	0	0	0
• expected losses at termination (S2)	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
• expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0	0
TOTAL	**-660,269**	**-83,745**	**156,161**	**-37,625**	**22,942**	**-602,536**

NOTE 6 Assets and liabilities at fair value through profit or loss

6 a Financial assets at fair value through profit of loss

	12/31/19				12/31/18			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	**0**	**309,684**	**800,348**	**1,110,032**	**23,423**	**355,508**	**852,914**	**1,231,845**
Government securities	0	309,684	15,972	325,656	0	355,508	15,814	371,322
Bonds and other debt securities	0	0	783,118	783,118	23,423	0	833,149	856,572
• Listed	0	0	674	674	0	0	681	681
• Unlisted	0	0	782,444	782,444	23,423	0	832,468	855,891
of which UCIs	*0*		*590,887*	*590,887*	*23,423*		*615,376*	*638,799*
Shares and other capital instruments	0		0	0	0		0	0
• *Listed*	*0*		*0*	*0*	*0*		*0*	*0*
• *Unlisted*	*0*		*0*	*0*	*0*		*0*	*0*
Long-term investments			1,258	1,258			3,951	3,951
• *Equity investments*			*1,258*	*1,258*			*3,922*	*3,922*
• *Other long-term investments*			*0*	*0*			*0*	*0*
• *Investments in subsidiaries and associates*			*0*	*0*			*0*	*0*
• *Other long-term investments*			*0*	*0*			*29*	*29*
Derivatives	**158,357**			**158,357**	**144,519**			**144,519**
Loans and receivables		**0**	**0**	**0**		**0**	**0**	**0**
of which repurchase agreements		*0*		*0*		*0*		*0*
TOTAL	**158,357**	**309,684**	**800,348**	**1,268,389**	**167,942**	**355,508**	**852,914**	**1,376,364**

The maximum exposure to credit risk on assets classified as at fair value through profit or loss (using the fair value option) totaled €310 million during the year.

6 b Financial liabilities at fair value through profit or loss

	12/31/19	12/31/18	Change	
Financial liabilities held for trading	128,394	123,065	5,329	4%
Financial liabilities at fair value through profit or loss	468,739	547,236	-78,497	-14%
TOTAL	**597,133**	**670,301**	**-73,168**	**-11%**

Financial liabilities held for trading consist solely of derivatives.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/19			12/31/18		
	Carrying amount	Amount due on maturity	Variance	Carrying amount	Amount due on maturity	Variance
Securities issued	468,739	529,990	-61,251	547,236	527,611	19,625
Subordinated debt	0	0	0	0	0	0
Interbank debt	0	0	0	0	0	0
Due to customers	0	0	0	0	0	0
TOTAL	**468,739**	**529,990**	**-61,251**	**547,236**	**527,611**	**19,625**

6 c Analysis of trading derivative instruments

	12/31/19			12/31/18		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Trading derivatives						
Rate instruments	***2,710,675***	***158,204***	***128,394***	***6,985,798***	***144,280***	***123,065***
Swaps	2,664,675	129,878	84,862	6,199,097	84,557	113,599
Other firm contracts	46,000	0	0	786,701	590	0
Options and conditional instruments	0	28,326	43,532	0	59,133	9,466
Foreign exchange instruments	***0***	***0***	***0***	***0***	***0***	***0***
Other derivatives	***18,825***	***153***	***0***	***13,921***	***239***	***0***
Options and conditional instruments	18,825	153	0	13,921	239	0
TOTAL	**2,729,500**	**158,357**	**128,394**	**6,999,719**	**144,519**	**123,065**

NOTE 7 Hedging

7 a Hedging derivative instruments

	12/31/19			12/31/18		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Hedging derivative instruments						
Fair Value Hedges	***3,781,650***	***8,367***	***45,898***	***2,960,950***	***15,094***	***51,763***
Swaps	1,751,350	8,367	45,898	1,980,850	15,094	51,763
Other firm contracts	2,030,300	0	0	980,100	0	0
Options and conditional instruments	0	0	0	0	0	0
Cash Flow Hedges	***415,700***	***0***	***16,347***	***615,700***	***129***	***17,356***
Swaps	415,700	0	16,347	615,700	129	17,356
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	**4,197,350**	**8,367**	**62,245**	**3,576,650**	**15,223**	**69,119**

The ineffectiveness recognized in profit or loss has a negative impact on the accounts (-€2,482 thousand recognized under "Net gains on financial instruments at fair value through profit or loss"); See note 22.

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	12/31/19
Hedging derivative instruments					
Fair Value Hedges	***274,700***	***272,650***	***2,388,300***	***846,000***	***3,781,650***
Swaps	274,700	232,650	1,171,000	73,000	1,751,350
Other firm contracts	0	40,000	1,217,300	773,000	2,030,300
Options and conditional instruments	0	0	0	0	0
Cash Flow Hedges	***0***	***0***	***115,700***	***300,000***	***415,700***
Swaps	0	0	115,700	300,000	415,700
Other firm contracts	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0
TOTAL	**274,700**	**272,650**	**2,504,000**	**1,146,000**	**4,197,350**

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/18
Hedging derivative instruments					
Fair Value Hedges	***75,000***	***249,500***	***842,350***	***1,794,100***	***2,960,950***
Swaps	75,000	189,500	714,350	1,002,000	1,980,850
Other firm contracts	0	60,000	128,000	792,100	980,100
Options and conditional instruments	0	0	0	0	0
Cash Flow Hedges	***0***	***200,000***	***115,700***	***300,000***	***615,700***
Swaps	0	200,000	115,700	300,000	615,700
Other firm contracts	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0
TOTAL	**75,000**	**449,500**	**958,050**	**2,094,100**	**3,576,650**

7 b Remeasurement adjustment on interest-rate risk hedged investments

	12/31/19	12/31/18	Change	
Fair value of portfolio interest rate risk				
in financial assets	50,543	28,370	22,173	78%
in financial liabilities	0	0	0	

7 c Items subject to a micro fair value hedge

ASSET ITEMS HEDGED

	12/31/19				12/31/18			
	Carrying amount	Of which remea-surement resulting from the hedge	Of which remea-surement for the fiscal year	Total of FV adjustments remaining in the statement of financial position (hedged item that has ceased to be adjusted)	Carrying amount	Of which remea-surement resulting from the hedge	Of which remea-surement for the fiscal year	Total of FV adjustments remaining in the statement of financial position (hedged item that has ceased to be adjusted)
Financial assets at FVOCI	2,207,105	18,553	5,133	0	698,213	13,421	-3,026	0
TOTAL	**2,207,105**	**18,553**	**5,133**	**0**	**698,213**	**13,421**	**-3,026**	**0**

LIABILITY ITEMS HEDGED

	12/31/19				12/31/18			
	Carrying amount	Of which remea-surement resulting from the hedge	Of which remea-surement for the fiscal year	Total of FV adjustments remaining in the statement of financial position (hedged item that has ceased to be adjusted)	Carrying amount	Of which remea-surement resulting from the hedge	Of which remea-surement for the fiscal year	Total of FV adjustments remaining in the statement of financial position (hedged item that has ceased to be adjusted)
Debt securities	178,857	6,190	-3,657	0	216,688	9,847	-6,163	0
TOTAL	**178,857**	**6,190**	**-3,657**	**0**	**216,688**	**9,847**	**-6,163**	**0**

NOTE 8 Assets and liabilities relative to insurance business contracts (IAS 39)

As of December 31, 2018, insurance is included in the headings relating to equity accounting.

NOTE 9 Fair value hierarchy of financial instruments carried at fair value

12/31/19	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through other comprehensive income	**2,046,648**	**498,264**	**40,215**	**2,585,127**
Government securities and similar instruments	431,958	0	0	431,958
Bonds and other debt securities	1,614,690	492,691	0	2,107,381
Shares and other capital instruments	0	5,573	0	5,573
Investments and other long-term securities	0	0	20,965	20,965
Investments in subsidiaries and associates	0	0	19,250	19,250
Trading/Fair value option/Other	**345,688**	**921,034**	**1,667**	**1,268,389**
Government securities and similar instruments – Trading	0	0	0	0
Government securities and similar instruments – Fair value option	309,684	0	0	309,684
Government securities and similar instruments – Other FVPL	15,972	0	0	15,972
Bonds and other debt securities – Trading	0	0	0	0
Bonds and other debt securities – Fair value option	0	0	0	0
Bonds and other debt securities – Other FVPL	20,032	762,386	700	783,118
Shares and other equity instruments – Trading	0	0	0	0
Shares and other capital instruments – Other FVPL	0	0	0	0
Investments and other long-term securities – Other FVPL	0	291	967	1,258
Investments in subsidiaries and associates – Other FVPL	0	0	0	0
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	0	158,357	0	158,357
Hedging derivative instruments	**0**	**8,367**	**0**	**8,367**
TOTAL	**2,392,336**	**1,427,665**	**41,882**	**3,861,883**
Financial liabilities IFRS 9				
Trading/Fair value option	**0**	**597,133**	**0**	**597,133**
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	468,739	0	468,739
Subordinated debt – Fair value option	0	0	0	0
Derivatives and other financial liabilities – Trading	0	128,394	0	128,394
Hedging derivative instruments	**0**	**62,245**	**0**	**62,245**
TOTAL	**0**	**659,378**	**0**	**659,378**

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.*

12/31/18	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through other comprehensive income	**2,069,870**	**621,887**	**63,433**	**2,755,190**
Government securities and similar instruments	501,401	0	0	501,401
Bonds and other debt securities	1,568,469	618,050	0	2,186,519
Shares and other capital instruments	0	3,837	0	3,837
Investments and other long-term securities	0	0	25,920	25,920
Investments in subsidiaries and associates	0	0	37,513	37,513
Trading/Fair value option/Other	**479,341**	**892,398**	**4,625**	**1,376,364**
Government securities and similar instruments – Trading	0	0	0	0
Government securities and similar instruments – Fair value option	355,508	0	0	355,508
Government securities and similar instruments – Other FVPL	15,814	0	0	15,814
Bonds and other debt securities – Trading	23,423	0	0	23,423
Bonds and other debt securities – Fair value option	0	0	0	0
Bonds and other debt securities – Other FVPL	84,596	747,678	875	833,149
Shares and other equity instruments – Trading	0	0	0	0
Shares and other capital instruments – Other FVPL	0	0	0	0
Investments and other long-term securities – Other FVPL	0	201	3,750	3,951
Investments in subsidiaries and associates – Other FVPL	0	0	0	0
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	0	144,519	0	144,519
Hedging derivative instruments	**0**	**15,223**	**0**	**15,223**
TOTAL	**2,549,211**	**1,529,508**	**68,058**	**4,146,777**
Financial liabilities IFRS 9				
Trading/Fair value option	**0**	**668,159**	**0**	**739,420**
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	547,236	0	547,236
Subordinated debt – Fair value option	0	0	0	0
Derivatives and other financial liabilities – Trading	0	123,065	0	123,065
Hedging derivative instruments	**0**	**69,119**	**0**	**69,119**
TOTAL	**0**	**739,420**	**0**	**739,420**

Level 1: *Price listed on an active market.*
Level 2: *Prices on active markets for similar instruments and valuation techniques for which all significant inputs are based on observable market data.*
Level 3: *Valuation based on internal models containing material non-observable data.*

FAIR VALUE HIERARCHY – LEVEL 3

12/31/19	Opening	Purchases	Issuances	Sales	Reimbur-sements	Transfers	Gains and losses in the income statement	Gains and losses in equity	Other move-ments	Closing
Financial assets IFRS 9										
Fair value through other comprehensive income	**63,433**	**4,268**	**530**	**-12,517**	**0**	**-20,292**	**0**	**6,796**	**-2,003**	**40,215**
Investments and other long-term securities	25,920	4,105	0	-12,354	0	-1,508	0	6,796	-1,994	20,965
Investments in subsidiaries and associates	37,513	163	530	-163	0	-18,784	0	0	-9	19,250
Trading/Fair value option/Other	**4,625**	**0**	**0**	**-2,429**	**-375**	**200**	**-354**	**0**	**0**	**1,667**
Bonds and other debt securities – Other FVPL	875	0	0	0	-375	200	0	0	0	700
Shares and other equity instruments – Trading	0	0	0	0	0	0	0	0	0	0
Investments and other long-term securities – Other FVPL	3,750	0	0	-2,429	0	0	-354	0	0	967
TOTAL	**68,058**	**4,268**	**530**	**-14,946**	**-375**	**-20,092**	**-354**	**6,796**	**-2,003**	**41,882**

NOTE 10 Netting of financial assets and liabilities

12/31/19	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			Net amount
				Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash collateral received	
Financial assets							
Derivatives	197,406	-30,682	166,724	-84,142	0	-111,536	-28,954
Resale agreements	206,494	0	206,494	-206,494	0	0	0
TOTAL	**403,900**	**-30,682**	**373,218**	**-290,636**	**0**	**-111,536**	**-28,954**

12/31/19	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			Net amount
				Effect of offset framework agreements	Financial instruments pledged as collateral	Cash collateral paid	
Financial liabilities							
Derivatives	221,321	-30,682	190,639	-84,142	0	-93,605	12,892
Resale agreements	651,014	0	651,014	-206,422	-444,592	0	0
TOTAL	**872,335**	**-30,682**	**841,653**	**-290,564**	**-444,592**	**-93,605**	**12,892**

12/31/18	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			Net amount
				Effect of offset framework agreements	Financial instruments received as guarantee	Cash collateral received	
Financial assets							
Derivatives	169,916	-10,174	159,742	-113,049	0	-38,026	8,667
Resale agreements	365,493	0	365,493	-358,580	0	-6,849	64
TOTAL	**535,409**	**-10,174**	**525,235**	**-471,629**	**0**	**-44,875**	**8,731**

12/31/18	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			Net amount
				Effect of offset framework agreements	Financial instruments pledged as collateral	Cash collateral paid	
Financial liabilities							
Derivatives	202,358	-10,174	192,184	-113,039	0	-44,166	34,979
Resale agreements	1,158,509	0	1,158,509	-358,581	-800,000	0	-72
TOTAL	**1,360,867**	**-10,174**	**1,350,693**	**-471,620**	**-800,000**	**-44,166**	**34,907**

NOTE 11 Income tax

11 a Current tax

	12/31/19	12/31/18	Change	
Assets (through profit or loss)	94,487	102,468	-7,981	-8%
Liabilities (through profit or loss)	75,383	64,504	10,879	17%

11 b Deferred tax

	12/31/19	12/31/18	Change	
Assets (through profit or loss)	48,495	43,883	4,612	11%
Assets (through other comprehensive income)	8,372	5,915	2,457	42%
Liabilities (through profit or loss)	3,413	703	2,710	385%
Liabilities (through other comprehensive income)	11,026	48	10,978	n.s.

ANALYSIS OF DEFERRED TAXES BY MAJOR CATEGORIES

	12/31/19		12/31/18	
	Assets	Liabilities	Assets	Liabilities
Tax loss carried forward	0		0	
Temporary differences in				
• re-valuation of financial instruments (excluding insurance)	0	10,991	0	3,091
• other unrealized or deferred gains and losses	8,337	0	8,958	0
• provisions	45,411	-17	45,510	-9
• finance leasing undisclosed reserves	0	1,622	0	1,591
• earnings of flow-through entities	0	0	0	0
• other temporary differences	3,084	1,808	-1,627	-879
Netting	35	35	-3,043	-3,043
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**56,867**	**14,439**	**49,798**	**751**

NOTE 12 Accruals and other assets and liabilities

12 a Accruals and other assets

	12/31/19	12/31/18	Change	
Accruals				
Collection accounts	9,239	12,995	-3,756	-29%
Currency adjustment accounts	13	1	12	1,200%
Accrued income	22,318	30,359	-8,041	-26%
Other accruals	188,434	162,986	25,448	16%
Sub-total	**220,004**	**206,341**	**13,663**	**7%**
Other assets				
Securities settlement accounts	0	0	0	
Miscellaneous receivables	222,557	217,759	4,798	2%
Inventories and similar	2,201	2,301	-100	-4%
Other	5,689	32,351	-26,662	-82%
Sub-total	**230,447**	**252,411**	**-21,964**	**-9%**
TOTAL	**450,451**	**458,752**	**-8,301**	**-2%**

12 b Accruals and other liabilities

	12/31/19	12/31/18	Change	
Accruals				
Accounts unavailable due to recovery procedures	25	172	-147	-85%
Currency adjustment accounts	0	250	-250	-100%
Accrued expenses	107,034	124,963	-17,929	-14%
Deferred income	55,314	51,252	4,062	8%
Other accruals	107,681	148,134	-40,453	-27%
Sub-total	**270,054**	**324,771**	**-54,717**	**-17%**
Other liabilities				
Rental obligations – Real estate	97,950	0	97,950	n.s.
Rental obligations – Others	3,868	0	3,868	n.s.
Securities settlement accounts	0	0	0	n.s.
Outstanding amounts payable on securities	146,726	235,558	-88,832	-38%
Sundry creditors	268,618	300,104	-31,486	-10%
Sub-total	**517,162**	**535,662**	**-18,500**	**-3%**
TOTAL	**787,216**	**860,433**	**-73,217**	**-9%**

12 c Assets/liabilities held for sale

	12/31/19	12/31/18	Change	
ASSETS				
Financial assets at fair value through profit or loss	8,488	5,078	3,410	67.15%
Available-for-sale financial assets				
Financial assets at fair value through other comprehensive income (OCI)	0		0	n.s.
Loans and receivables to credit institutions	16,540	50,259	-33,719	-67.09%
Loans and receivables due from customers	16	3	13	433.33%
Investments by the insurance businesses and reinsurers' share of technical reserves	0		0	n.s.
Accruals	18,376	20,855	-2,479	-11.89%
Investments in associates	475		475	n.s.
Non-current assets	711	10,114	-9,403	-92.97%
Goodwill	1,521		1,521	n.s.
ASSETS HELD FOR SALE	**46,127**	**86,309**	**-40,182**	**-46.56%**
LIABILITIES				
Due to credit institutions	3	17,773	-17,770	-99.98%
Due to customers	0	3,498	-3,498	-100.00%
Accruals and other liabilities	33,311	26,098	7,213	27.64%
Technical provisions of insurance policies	0		0	n.s.
Liabilities related to insurance business policies	0		0	n.s.
Provisions	56	67	-11	-16.42%
Subordinated debt	0		0	n.s.
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**33,370**	**47,436**	**-14,066**	**-29.65%**
INCOME STATEMENT				
Interest and similar income	84	79	5	6.33%
Interest and similar expenses	-65	-10	-55	550.00%
Fees and commissions	0	0	0	n.s.
Net gain/loss on portfolio at fair value through profit or loss	504	-610	1,114	-182.62%
Net gain/loss on available-for-sale financial assets	0	0	0	n.s.
Net income from insurance activities	0	0	0	n.s.
Income from other activities	71,245	81,548	-10,303	-12.63%
Expenses on other activities	-4,435	-18,857	14,422	-76.48%
General operating expenses	-35,701	-30,530	-5,171	16.94%
Net profit/(loss) on consolidated entities (disposal, etc.)	0	11,239	-11,239	-100.00%
Share of net income (loss) of associates	0	35,631	-35,631	-100.00%
Corporate income tax	-14,251	-10,505	-3,746	35.66%
POST-TAX GAINS/(LOSSES) ON DISCONTINUED OPERATIONS	**17,381**	**67,985**	**-50,604**	**-74.43%**

The information relating to the balance sheet concerned in 2018 the disposal of entities of the Asset Management division (LFIS, UGP and CD Partenaires) as well as that of Theia Viager and, for 2019, it only reflected the upcoming disposals of the entities LFIS, UGP, La Française Global REIM Limited, La Française Forum Securities Limited and Tages Capital LLP.

As regards net profit/(loss), 2018 refers to the net profit/(loss) of the NEA division until the date of loss of control at the end of June 2018, and 2019 includes the operations relating to the entities of the Third-Party Management division (LFIS, UGP, La Française Global REIM Limited, La Française Forum Securities Limited and Tages Capital LLP).

12 d Rental obligations by residual maturity

12/31/19	d ≤ 1 year	1 year < d ≤ 3 years	3 years < d ≤ 6 years	6 years < d ≤ 9 years	d > 9 years	TOTAL
Rental obligations	11,499	32,803	31,084	23,743	2,689	101,818
• Real estate	11,277	30,452	29,789	23,743	2,689	97,950
• Other	222	2,351	1,295	0	0	3,868

NOTE 13 Investments in equity consolidated companies

13 a Share of net profit/(loss) of equity consolidated companies

12/31/19	Country	% interest	Value under equity consolidation method	Share of net profit/(loss)	Dividends received [1]	Fair value of the investment (if quoted)
Entities under significant influence						
GACM	France	10.22%	960,490	86,114	192,264	n.l.
2A	France	31.15%	1,408	747	0	n.l.
Alger Management Ltd	Great Britain	0.00%	0	8	0	n.l.
FCT LFP Créances Immobilières	France	27.09%	237	0	0	n.l.
Groupe Cholet-Dupont	France	33.73%	16,429	2,907	681	n.l.
JKC Capital Management Limited	Hong Kong	50.00%	964	-867	0	n.l.
Siparex Proximité Innovation	France	26.50%	2,638	725	663	n.l.
Tages Capital LLP	Great Britain	19.00%	0	0	213	n.l.
Euro Information SAS	France	10.15%	149,663	13,565	315	n.l.
Groupe La Française (goodwill relating to 2A)[2]			2,303			n.l.
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)[2]			1,257			n.l.
Caisse Fédérale du Crédit Mutuel Nord Europe (goodwill relating to GACM)[2]			273,691			n.l.
TOTAL			**1,409,080**	**103,199**	**194,136**	

12/31/18	Country	% interest	Value under equity consolidation method	Share of net profit/(loss)	Dividends received[1]	Fair value of the investment (if quoted)
Entities under significant influence						
GACM	France	10.22%	1,005,981	36,568	34,362	n.l.
2A	France	20.00%	-62	125	0	n.l.
Alger Management Ltd	Great Britain	50.00%	68	-280	0	n.l.
FCT LFP Créances Immobilières	France	27.09%	237	0	0	n.l.
Groupe Cholet-Dupont	France	33.73%	14,203	1,183	613	n.l.
JKC Capital Management Limited	Hong Kong	50.00%	1,789	2	0	n.l.
Siparex Proximité Innovation	France	26.50%	2,576	525	265	n.l.
Tages Capital LLP	Great Britain	19.00%	755	250	922	n.l.
Euro Information SAS	France	10.15%	135,022	11,303	315	n.l.
La Française AM (goodwill relating to Tages and Alger)[2]			447			n.l.
Groupe La Française (goodwill relating to 2A)[2]			356			n.l.
Nouvelles Expertises et Talents AM (goodwill relating to JKC CM Ltd)[2]			1,257			n.l.
Caisse Fédérale du Crédit Mutuel Nord Europe (goodwill relating to GACM)[2]			273,691			n.l.
TOTAL			**1,436,320**	**49,676**	**36,477**	

(1) In cash and in shares

(2) Pursuant to IAS 28, goodwill recognized in respect of entities under significant influence is included in the value of the equity-accounted investment.

n.l.: not listed

As part of the impairment test of the equity value of GACM, CMNE uses the fair value of GACM calculated using the Appraisal Value method. This method, commonly used for the valuation of an insurance group, is based on a traditional actuarial approach consisting of discounting the future profits generated by the stock of contracts and by future new business.

As such, the fair value of our investment in GACM at December 31, 2019 is €1,242 million.

13 b Data on main equity consolidated companies

12/31/19	Balance sheet total	Net banking income/	GOI	Operating income before provisions Net profit/(loss)	OCI	Shareholders' equity in foreign currency
Entities under significant influence						
GACM	125,068,381	1,723,248	1,125,620	860,402	1,478,886	9,828,159
2A	13,491	12,424	1,224	2,398	-	4,521
Alger Management Ltd	-	2,195	14	14	-	-
FCT LFP Créances Immobilières	35,184	380	-	-	-	875
Groupe Cholet-Dupont	303,107	28,368	11,940	8,618	-	48,708
JKC Capital Management Limited	32,767	16,523	-15,216	-15,216	-	16,869
Siparex Proximité Innovation	16,841	13,591	3,049	2,737	-	9,951
Tages Capital LLP	8,916	9,795	1	1	-	2,501
Euro Information SAS	1,658,901	1,393,687	184,028	135,190	-	1,437,162

12/31/18	Balance sheet total	Net banking income/	GOI	Operating income before provisions Net profit/(loss)	OCI	Shareholders' equity in foreign currency
Entities under significant influence						
GACM	116,087,666	1,719,754	1,166,829	805,660	948,189	10,274,033
2A	10,534	11,113	601	626	-	-308
Alger Management Ltd	1,990	3,917	-495	-495	-	122
FCT LFP Créances Immobilières	95,078	615	-	-	-	875
Groupe Cholet-Dupont	277,756	22,613	6,645	3,508	-	42,110
JKC Capital Management Limited	38,932	21,780	103	31	-	32,085
Siparex Proximité Innovation	16,697	14,176	2,585	1,981	-	9,717
Tages Capital LLP	7,111	9,155	1,318	1,318	-	3,973
Euro Information SAS	1,494,765	1,278,865	164,249	111,640	-	1,288,167

NOTE 14 Investment property

	12/31/18	Increase	Decrease	Other	12/31/19
Historical cost	63,011	77,609	-1,093	83,394	222,921
Depreciation and impairment	-30,135	-2,631	1,182	0	-31,584
Net amount	**32,876**	**74,978**	**89**	**83,394**	**191,337**

The fair value of this property (recognized at historical cost) was €225,886 thousand at December 31, 2019; it was €78,288 thousand at December 31, 2018. It is determined based on expert valuations.

NOTE 15 Property, plant and equipment and intangible assets

15 a Property, plant and equipment

	12/31/18	Increase	Decrease	Other	12/31/19
Historical cost					
Operating sites	12,415	0	-261	0	12,154
Operating buildings	227,775	7,062	-11,292	0	223,545
Rights of use – Real estate	0	8,624	0	107,239	115,863
Rights of use – Others	0	0	-392	4,260	3,868
Other property, plant and equipment	320,109	7,818	-4,927	-83,324	239,676
TOTAL	560,299	23,504	-16,872	28,175	595,106
Accumulated depreciation and impairment provisions					
Operating sites	0	0	0	0	0
Operating buildings	-155,646	-10,121	9,997	0	-155,770
Rights of use – Real estate	0	-19,511	158	0	-19,353
Rights of use – Others	0	0	0	0	0
Other property, plant and equipment	-161,226	-11,758	3,415	0	-169,569
TOTAL	-316,872	-41,390	13,570	0	-344,692
Net amount	**243,427**	**-17,886**	**-3,302**	**28,175**	**250,414**

OF WHICH PROPERTIES RENTED UNDER FINANCE LEASES

	12/31/18	Increase	Decrease	Other	12/31/19
Gross carrying value	91,384	0	0	-9	91,384
Accumulated depreciation and impairment provisions	-11,848	-1,657	0	10	-13,505
TOTAL	79,536	-1,657	0	1	77,879

15 b Intangible assets

	12/31/18	Increase	Decrease	Other	12/31/19
Historical cost					
Internally developed intangible assets	4,462	0	0	2,559	7,021
Purchased intangible assets	147,521	6,257	-105,453	3,693	52,018
• Software	116,067	567	-104,993	3,052	14,693
• other	31,454	5,690	-460	641	37,325
TOTAL	151,983	6,257	-105,453	6,252	59,039
Accumulated depreciation and impairment provisions					
Internally developed intangible assets	-1,792	-1,905	0	0	-3,697
Purchased intangible assets	-121,350	-1,699	105,138	-5	-17,916
• Software	-113,104	-1,526	104,923	-193	-9,900
• other	-8,246	-173	215	188	-8,016
TOTAL	-123,142	-3,604	105,138	-5	-21,613
Net amount	**28,841**	**2,653**	**-315**	**6,247**	**37,426**

NOTE 16 Goodwill

	12/31/18	Increase	Decrease	Other	12/31/19
Gross goodwill	195,018	8,274	-863	-1,521	200,908
Impairment provisions	-1,915	0	0	0	-1,915
Net goodwill	**193,103**	**8,274**	**-863**	**-1,521**	**198,993**

BREAKDOWN OF GOODWILL

CGU	Value of goodwill on 12/31/18	Increase	Decrease	Variation in depreciation	Other	Value of goodwill on 12/31/19
Bankinsurance Belgium	2,027	0	0	0	0	2,027
Third-party management	190,352	8,274	-863	0	-1,521	196,242
Services and Other	724	0	0	0	0	724
TOTAL	**193,103**	**8,274**	**-863**	**0**	**-1,521**	**198,993**

A multi-methodological approach was used to carry out impairment testing of the goodwill of the third-party management division (which represents 99% of total goodwill). Against this backdrop and in accordance with the recommendations of the French Financial Markets Authority (Autorité des Marchés Financiers – AMF), the fair value was calculated by external experts using a multi-criteria approach, based on factors such as profitability and own risks, and by reference to comparable companies with known values or to valuation formulae specified in shareholders' agreements. Based on the method used, the value of the "Third-party management" CGU was between €334 million and €943 million.

NOTE 17 Provisions and contingent liabilities

17 a Provisions

	12/31/18	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	12/31/19
Provisions for risks	**18,046**	**6,755**	**-2,905**	**-6,439**	**-259**	**15,198**
On guarantee commitments	2,657	2,223	-2	-1,173	2	3,707
of which 12-month expected losses (S1)	*653*	*307*	*0*	*-239*	*0*	*721*
of which expected losses at termination (S2)	*379*	*888*	*0*	*-264*	*1*	*1,004*
On financing commitments	1,361	913	0	-947	1	1,328
of which 12-month expected losses (S1)	*1,129*	*743*	*0*	*-734*	*0*	*1,138*
of which expected losses at termination (S2)	*232*	*170*	*0*	*-213*	*1*	*190*
On country risks	0	0	0	0	0	0
Provisions for taxes	3,592	0	0	-3,500	-92	0
Provisions for claims and litigation	4,894	1,333	-828	-188	0	5,211
Provision for risk on miscellaneous receivables	5,542	2,286	-2,075	-631	-170	4,952
Other provisions	**19,989**	**8,180**	**252**	**-2,106**	**139**	**26,454**
Provision for mortgage saving agreements	14,576	2,596	0	0	-4	17,168
Provisions for miscellaneous contingencies	4,663	5,241	-708	-152	143	9,187
Other provisions	750	343	960	-1,954	0	99
Provisions for retirement commitments	**108,252**	**3,582**	**-386**	**-1,763**	**-2,233**	**107,452**
TOTAL	**146,287**	**18,516**	**-3,039**	**-10,308**	**-2,353**	**149,104**

	12/31/17	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	12/31/18
Provisions for risks	**13,506**	**9,677**	**-29**	**-4,797**	**-311**	**18,046**
Signature commitments	3,882	897	0	-1,968	-154	2,657
of which 12-month expected losses (S1)	*900*	*240*	*0*	*-333*	*-154*	*653*
of which expected losses at termination (S2)	*1,152*	*259*	*0*	*-1,032*	*0*	*379*
financing and guarantee commitments	1,998	998	-3	-778	-854	1,361
of which 12-month expected losses (S1)	*716*	*796*	*0*	*-451*	*68*	*1,129*
of which expected losses at termination (S2)	*358*	*202*	*-3*	*-327*	*2*	*232*
On country risks	0	0	0	0	0	0
Provisions for taxes	1,200	2,300	0	0	92	3,592
Provisions for claims and litigation	2,002	5,043	-26	-923	-1,202	4,894
Provision for risk on miscellaneous receivables	4,424	439	0	-1,128	1,807	5,542
Other provisions	**25,413**	**2,826**	**-5,331**	**-3,155**	**236**	**19,989**
Provision for mortgage saving agreements	12,264	2,310	0	0	2	14,576
Provisions for miscellaneous contingencies	5,787	137	-147	-977	-137	4,663
Other provisions	7,362	379	-5,184	-2,178	371	750
Provisions for retirement commitments	**104,491**	**3,538**	**-417**	**-1,705**	**2,345**	**108,252**
TOTAL	**143,410**	**16,041**	**-5,777**	**-9,657**	**2,270**	**146,287**

PROVISIONS PEL/CEL

	0-4 years	4-10 years	+10 years	Total
Amount managed in respect of PEL during the saving phase	334,265	1,255,770	576,204	2,166,239
Amount of provisions for PEL	**4,434**	**10,359**	**2,377**	**17,170**
Amount managed in respect of CEL during the saving phase				229,810
Amount of provisions for CEL				0
Additions to home savings provisions				-2,996
Reversals of home savings provisions				0
Amount of outstanding loans granted in respect of PEL/CEL				7,749
Amount of provisions for PEL/CEL loans				30

RETIREMENT AND OTHER EMPLOYEE BENEFITS

	12/31/18	Additions for the year	Reversals for the year	Other variations	12/31/19
Defined-benefit plans not covered by pension funds					
Retirement Benefits	103,557	3,582	-1,406	-2,233	103,500
Supplementary pensions	1,824	0	-40	0	1,784
Obligations for long service awards (other long-term benefits)	2,871	0	-703	0	2,168
TOTAL	**108,252**	**3,582**	**-2,149**	**-2,233**	**107,452**

	12/31/17	Additions for the year	Reversals for the year	Other variations	12/31/18
Defined-benefit plans not covered by pension funds					
Retirement Benefits	99,679	3,538	-1,737	2,077	103,557
Supplementary pensions	1,784	0	-228	268	1,824
Obligations for long service awards (other long-term benefits)	3,028	0	-157	0	2,871
TOTAL	**104,491**	**3,538**	**-2,122**	**2,345**	**108,252**

The change in the fair value resulted from actuarial variances (see provisions table above).

DEFINED-BENEFIT PLANS: MAIN ACTUARIAL ASSUMPTIONS

	12/31/19	12/31/18
Discount rate[1]	0.75%	1.50%
Expected increase in salaries	1.31%	1.73%

(1) The discount rate, determined by reference to the market yield on long-term corporate bonds, is estimated using the IBoxx index.

RETIREMENT BENEFITS
CHANGE IN THE ACTUARIAL LIABILITIES

	12/31/18	Interest expense	Cost of services rendered during the period	Contri-butions to plan	Actuarial variances due to changes in demographic assumptions	Actuarial variances due to changes in financial assumptions	Payments to bene-ficiaries	Other (business combi-nations, liquidations)	12/31/19
Commitments	194,732	2,430	10,462	0	5,672	3,635	-11,128		205,804
Non-Group insurance contract and assets managed externally	91,174	1,325	0	6,296	0	11,454	-7,944	-1	102,304
Provision	**103,557**	**1,105**	**10,462**	**-6,296**	**5,672**	**-7,818**	**-3,184**	**1**	**103,500**

	12/31/17	Interest expense	Cost of services rendered during the period	Contri-butions to plan	Actuarial variances due to changes in demographic assumptions	Actuarial variances due to changes in financial assumptions	Payments to bene-ficiaries	Other (business combi-nations, liquidations)	12/31/18
Commitments	193,654	1,234	10,279	0	-5,485	3,805	-8,710	-46	194,732
Non-Group insurance contract and assets managed externally	93,975	1,145	0	6,314	0	-4,920	-5,340	0	91,174
Provision	**99,679**	**88**	**10,279**	**-6,314**	**-5,485**	**8,725**	**-3,370**	**-46**	**103,557**

A change of plus or minus 50 basis points in the discount rate would result in, respectively, a fall of €12.8 million/an increase of €14.4 million in the commitment.

CHANGE IN THE FAIR VALUE OF PLAN ASSETS

	12/31/18	Effect of discounting	Return on plan assets in addition to the interest income	Contributions to plan	Payments to beneficiaries	12/31/19
Fair value of plan assets	91,174	11,454	1,325	6,296	-7,945	102,303

	12/31/17	Effect of discounting	Return on plan assets in addition to the interest income	Contributions to plan	Payments to beneficiaries	12/31/18
Fair value of plan assets	93,975	-4,920	1,145	6,314	-5,340	91,174

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

	12/31/19				
	Debt securities	Equity instruments	Real estate	Other	TOTAL
Assets quoted on an active market	37,445	31,060	0	0	68,505
Assets not quoted on an active market	0	0	5,903	27,895	33,798
TOTAL	**37,445**	**31,060**	**5,903**	**27,895**	**102,303**

	12/31/18				
	Debt securities	Equity instruments	Real estate	Other	TOTAL
Assets quoted on an active market	35,052	26,065	0	0	61,117
Assets not quoted on an active market	0	0	6,328	23,729	30,057
TOTAL	**35,052**	**26,065**	**6,328**	**23,729**	**91,174**

DEFINED BENEFIT RETIREMENT COMMITMENTS

	Weighted average duration
Retirement Benefits	14.30

17 b Contingent liabilities

Nothing.

NOTE 18 Reserves related to capital and reserves

18 a Shareholders' equity attributable to owners of the company (excluding net income and unrealized gains and losses)

	12/31/19	12/31/18	Change	
Capital and reserves related to capital	**1,379,383**	**1,307,016**	**72,367**	**6%**
• Capital	1,376,633	1,304,266	72,367	6%
• Issue premium, contribution, merger, split, conversion	2,750	2,750	0	0%
Consolidated reserves	**1,642,721**	**1,479,422**	**163,299**	**11%**
• Legal reserve	0	0	0	n.s.
• Statutory and contractual reserves	0	0	0	n.s.
• Regulated reserves	0	0	0	n.s.
• Other reserves (including effects related to initial application)	1,673,078	1,556,831	116,247	7%
of which profit on disposal of capital instruments	-16,158	-3,391	-12,767	376%
• Retained earnings	-30,357	-77,409	47,052	-61%
TOTAL	**3,022,104**	**2,786,438**	**235,666**	**8%**

18 b Unrealized or deferred gains or losses, attributable to the Group

	12/31/19	12/31/18	Change	
Unrealized or deferred gains or losses relating to:				
• insurance business investments (assets available-for-sale)	149,978	96,198	53,780	56%
• financial assets at fair value through recyclable other comprehensive income – debt instruments	23,676	7,112	16,564	233%
• financial assets at fair value through non-recyclable other comprehensive income – equity instruments	6,334	439	5,895	n.s.
• hedging derivatives (CFH)	-10,647	-10,732	85	-1%
• other	-16,707	-19,163	2,456	-13%
TOTAL	**152,634**	**73,854**	**78,780**	**107%**

* *Net of corporation tax.*

18 c Fully-consolidated entities with significant non-controlling interests

Nothing.

NOTE 19 Commitments given and received

COMMITMENTS GIVEN

	12/31/19	12/31/18	Change	
Funding commitments	**2,770,979**	**2,618,385**	**152,594**	**6%**
Liabilities due to credit institutions	32,250	34,100	-1,850	-5%
Commitments to customers	2,738,729	2,584,285	154,444	6%
Guarantee commitments	**225,556**	**207,773**	**17,783**	**9%**
Credit institution commitments	17,010	78,735	-61,725	-78%
Customer commitments	208,546	129,038	79,508	62%
Securities commitments	**777**	**647**	**130**	**20%**
Securities acquired with option to repurchase	0	0	0	
Other commitments given	777	647	130	20%

COMMITMENTS RECEIVED

	12/31/19	12/31/18	Change	
Funding commitments	**729,140**	**282,376**	**446,764**	**158%**
Commitments received from credit institutions	729,140	282,376	446,764	158%
Commitments received from customers	0	0	0	
Guarantee commitments	**7,559,438**	**7,150,822**	**408,616**	**6%**
Commitments received from credit institutions	3,125,164	3,077,230	47,934	2%
Commitments received from customers	4,434,274	4,073,592	360,682	9%
Securities commitments	**4,944**	**647**	**4,297**	**664%**
Securities sold with option to repurchase	0	0	0	
Other commitments received	4,944	647	4,297	664%

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	12/31/19	12/31/18	Change	
Assets sold under repurchase agreements	201,086	174,880	26,206	15%
Related liabilities	651,014	1,158,281	-507,267	-44%

ASSETS GIVEN AS COLLATERAL FOR LIABILITIES

	12/31/19	12/31/18	Change	
Loaned securities	201,014	273,919	-72,905	-27%
Security deposits on market transactions	125,702	146,776	-21,074	-14%
TOTAL	**326,716**	**420,695**	**-93,979**	**-22%**

NOTES TO THE INCOME STATEMENT

NOTE 20 Interest income and expense

	12/31/19		12/31/18 published	
	Income	Expenses	Income	Expenses
Credit institutions and central banks	26,930	-7,326	27,377	-10,023
Customers	946,958	-540,341	935,559	-513,917
• *of which leasing*	*457,533*	*-426,020*	*432,019*	*-402,210*
• *of which rental obligation*	*0*	*-706*	*0*	*0*
Hedging derivative instruments	6,839	-48,204	13,030	-44,114
Financial instruments at fair value through profit or loss	46,182	-9,474	227,890	-271,016
Financial assets at fair value through equity/Assets available-for-sale	16,843	0	23,046	0
Securities at amortized cost	-291	0	0	0
Debt securities	0	-41,917	0	-47,809
Subordinated debt	0	-1,116	0	-1,715
TOTAL	**1,043,461**	**-648,378**	**1,226,902**	**-888,594**
Of which interest income and expense calculated at the effective interest rate	*990,440*	*-590,700*	*985,982*	*-573,464*
Of which interest on liabilities at amortized cost		*-590,700*		*-573,464*

	12/31/18 restated	
	Income	Expenses
Credit institutions and central banks	27,377	-10,023
Customers	935,559	-513,917
• *of which leasing*	*432,019*	*-402,210*
• *of which rental obligation*	*0*	*0*
Hedging derivative instruments	71	-12,327
Financial instruments at fair value through profit or loss	5,118	-10,095
Financial assets at fair value through equity/Assets available-for-sale	23,046	0
Securities at amortized cost	0	0
Debt securities	0	-47,809
Subordinated debt	0	-1,715
TOTAL	**991,171**	**-595,886**
Of which interest income and expense calculated at the effective interest rate	*985,982*	*-573,464*
Of which interest on liabilities at amortized cost		*-573,464*

As from January 1, 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). This change was made for the sake of consistency with certain regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on interest received and paid.

Moreover, interest on the lending and borrowing legs of derivatives is recognized separately, under interest income and expenses, respectively.

NOTE 21 Commissions

	12/31/19		12/31/18	
	Income	Expenses	Income	Expenses
Credit institutions	7,082	-357	7,929	-445
Customers	77,025	-2,374	92,278	-1,686
Securities	13,678	-4,194	16,361	-11,062
of which activities managed on behalf of third parties	*2,149*	*0*	*2,381*	*0*
Derivatives	0	0	1	0
Currency transactions	1,461	0	1,410	0
Funding and guarantee commitments	0	-84	0	-146
Services provided	192,658	-62,961	192,517	-57,435
TOTAL	**291,904**	**-69,970**	**310,496**	**-70,774**

NOTE 22 Gain/loss on financial instruments at fair value through profit or loss

	12/31/19	12/31/18 restated	Change	
Trading instruments	-17,282	-22,551	5,269	-23%
Instruments accounted for under the fair value option	-2,737	26,896	-29,633	-110%
Ineffective portion of hedges	-2,482	-95	-2,387	2,513%
• On cash flow hedges (CFH)	0	0	0	n.s.
• On fair value hedges (FVH)	-2,482	-95	-2,387	2,513%
• Change in the fair value of hedged items	18,685	9,270	9,415	102%
• Change in fair value of hedging instruments	-21,167	-9,365	-11,802	126%
Foreign exchange gains/(losses)	376	430	-54	-13%
Other instruments at fair value through profit or loss	26,034	-14,045	40,079	-285%
TOTAL CHANGES IN FAIR VALUE	**3,909**	**-9,365**	**13,274**	**-142%**

As from 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, the Group has also refined the presentation of income and expenses on these instruments.

For information, the published and restated data for December 31, 2018 are shown below:

	12/31/18 published	12/31/18 restated
Trading instruments	34,426	-22,551
Instruments accounted for under the fair value option	26,896	26,896
Ineffective portion of hedges	-95	-95
• On cash flow hedges (CFH)	0	0
• On fair value hedges (FVH)	-95	-95
• Change in the fair value of hedged items	9,270	9,270
• Change in fair value of hedging instruments	-9,365	-9,365
Foreign exchange gains/(losses)	430	430
Other financial instruments at fair value through profit or loss	-14,045	-14,045
TOTAL CHANGES IN FAIR VALUE	**47,612**	**-9,365**

NOTE 23 Net gains or losses on financial assets at fair value through equity

	12/31/19	12/31/18	Change	
Dividends	2,743	1,604	1,139	71%
Realized gains and losses on debt instruments	343	1,666	-1,323	-79%
TOTAL	**3,086**	**3,270**	**-184**	**-6%**

NOTE 24 Net gains and losses on financial assets and liabilities carried at amortized cost

Nothing.

NOTE 25 Net income from insurance business line

The insurance contribution is included in "Share of net profit/(loss) of equity consolidated companies".

NOTE 26 Income/expenses generated by other activities

	12/31/19	12/31/18	Change	
Income from other activities				
Investment property:	175	0	175	n.s.
• *capital gains on disposals*	*175*	*0*	*175*	*n.s.*
Rebilled expenses	14,756	15,420	-664	-4%
Other income	339,622	282,153	57,469	20%
Sub-total	**354,553**	**297,573**	**56,980**	**19%**
Expenses on other activities				
Investment property:	-2,020	-1,731	-289	17%
• *additions to provisions/depreciation*	*-1,897*	*-1,731*	*-166*	*10%*
• *capital losses on disposals*	*-123*	*0*	*-123*	*n.s.*
Other expenses	-163,867	-139,904	-23,963	17%
Sub-total	**-165,887**	**-141,635**	**-24,252**	**17%**
NET TOTAL OF OTHER INCOME AND EXPENSES	**188,666**	**155,938**	**32,728**	**21%**

NOTE 27 General operating expenses

	12/31/19	12/31/18	Change	
Employee benefits expense	-430,262	-413,200	-17,062	4%
Other expenses	-300,574	-358,966	58,392	-16%
TOTAL	**-730,836**	**-772,166**	**41,330**	**-5%**

27 a Payroll costs

	12/31/19	12/31/18	Change	
Wages and salaries	-261,175	-263,238	2,063	-1%
Social security contributions	-115,116	-107,636	-7,480	7%
Short-term employee benefits	0	0	0	n.s.
Employee profit-sharing and incentive schemes	-31,221	-18,642	-12,579	67%
Payroll-based taxes	-22,790	-23,911	1,121	-5%
Other	40	227	-187	-82%
TOTAL	**-430,262**	**-413,200**	**-17,062**	**4%**

Since the 2012 fiscal year, nine bonus share allocation plans have been set up by a Group entity. Beneficiaries are selected on the basis of the nature of the functions they perform and their level of technical complexity. Allocation of the shares is conditional upon the beneficiary remaining an employee of the division concerned. Rights resulting from bonus share allocations are non-transferable until the end of the vesting period. The minimum vesting period is two years (18 months for the 2015 plan and 30 months for the 2016 and 2017 plans and 24 months for the 2019 plans) and the minimum holding period following the vesting period is also two years.

Since the Caisse Fédérale has made a commitment to repurchase these shares, at the shareholder's option, these issues are treated as cash-settled transactions and the value of the shares is recognized in payroll costs at the notification date and as a liability. Said liability is revalued at each reporting date and until it is extinguished, the corresponding increase or decrease being recognized in payroll costs.

The impacts of these bonus share allocation plans are summarized in the following table.

		12/31/19						12/31/18					
		Number of shares						Number of shares					
	Allocation date	Allocated	vested/ remaining	Repurchase value	Vesting percentage	Charge for the year	Accumulated liability	Allocated	vested/ remaining	Repurchase value	Vesting percentage	Charge for the year	Accumulated liability
2012 plan	02/14/12	20,060	0	218.00	100%	0	0	20,060	0	223.07	100%	0	0
2013 plan	04/15/13	18,147	0	218.00	100%	0	0	18,147	0	223.07	100%	-25	0
2014 plan	04/01/14	29,400	0	218.00	100%	0	0	29,400	0	223.07	100%	-85	0
2015 plan	09/16/15	29,710	0	218.00	100%	-6,161	0	29,710	27,621	223.07	100%	778	6,161
2016 plan*	09/16/16	30,187	29,179	218.00	100%	388	6,361	30,187	29,179	223.07	92%	2,931	5,973
2017 plan*	09/04/17	30,730	30,162	218.00	93%	2,532	6,114	30,730	30,317	223.07	53%	2,807	3,582
2018 plan*	09/06/18	35,564	35,409	218.00	66%	3,820	5,079	35,564	35,564	223.07	16%	1,259	1,259
2019 plan[1]*	09/06/19	14,250	14,250	218.00	16%	493	493			.			
2019 plan[2]*	12/20/19	6,091	6,091	218.00	12%	163	163						
TOTAL						**1,235**	**18,210**					**7,665**	**16,975**

* *The number of shares that have vested has been estimated.*

AVERAGE WORKFORCE

	12/31/19	12/31/18	Change	
Bank technical staff	2,100	2,191	-91	-4%
Managers	2,260	2,258	2	0%
TOTAL*	**4,360**	**4,449**	**-89**	**-2%**
France	3,228	3,282	-54	-2%
Rest of the world	1,132	1,167	-35	-3%

* *All contracts combined, including 4,116 FTE, permanent contracts*

27 b Other operating expenses

	12/31/19	12/31/18	Change	
Taxes and duties	-36,905	-37,281	376	-1%
Leases	-46,767	-29,999	-16,768	56%
• *short-term leases of assets*[1]	*-3,630*	*-22,611*	*18,981*	*-84%*
• *leases of low value/substitutable assets*[2]	*-39,033*	*-4,197*	*-34,836*	*830%*
• *other leases*	*-4,104*	*-3,191*	*-913*	*29%*
Other external services	-169,180	-259,807	90,627	-35%
Other miscellaneous expenses	-2,756	-4,945	2,189	-44%
TOTAL	**-255,608**	**-332,032**	**76,424**	**-23%**

(1) Includes real estate in tacit renewal.
(2) Includes computer equipment.

27 c Depreciation, amortization and impairment of property, plant and equipment and intangible assets

	12/31/19	12/31/18	Change	
Depreciation and amortization:	**-43,848**	**-26,934**	**-16,914**	**63%**
• property, plant and equipment	-40,301	-24,037	-16,264	68%
of which rights of use	*-18,394*	*0*	*-18,394*	*n.s.*
• intangible assets	-3,547	-2,897	-650	22%
Write-downs:	**-1,117**	**0**	**-1,117**	**n.s.**
• property, plant and equipment	-1,117	0	-1,117	n.s.
• intangible assets	0	0	0	n.s.
TOTAL	**-44,965**	**-26,934**	**-18,031**	**67%**

NOTE 28 Cost of risk

	12/31/19	12/31/18	Change	
12-month expected losses (S1)	-3,390	-4,318	928	-21%
Expected losses to termination (S2)	5,869	-10,399	16,268	-156%
Impaired assets (S3)	-24,378	12,828	-37,206	-290%
TOTAL	**-21,899**	**-1,889**	**-20,010**	**N.S.**

12/31/19	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)	**-26,889**	**23,499**				**-3,390**
• Loans and receivables from credit institutions at amortized cost	0	1				1
• Customer loans at amortized cost	-25,191	22,007				-3,184
• *of which finance leases*	*-1,602*	*311*				*-1,291*
• Financial assets at amortized cost – securities	-360	196				-164
• Financial assets at fair value through other comprehensive income – debt securities	-288	323				35
• Commitments given	-1,050	972				-78
Expected losses to termination (S2)	**-25,832**	**31,701**				**5,869**
• Loans and receivables from credit institutions at amortized cost	0	8				8
• Customer loans at amortized cost	-24,768	31,215				6,447
• *of which finance leases*	*-98*	*1,846*				*1,748*
• Financial assets at fair value through other comprehensive income – debt securities	-6	0				-6
• Commitments given	-1,058	478				-580
Impaired assets (S3)	**-95,009**	**99,043**	**-22,582**	**-7,556**	**1,726**	**-24,378**
• Loans and receivables from credit institutions at amortized cost	0	0	0	-1,039	0	-1,039
• Customer loans at amortized cost	-91,908	97,513	-22,582	-6,508	1,726	-21,759
• *of which finance leases*	*-1,386*	*1,357*	*-256*	*-40*	*0*	*-325*
• Commitments given	-3,101	1,530	0	-9	0	-1,580
TOTAL	**-147,730**	**154,243**	**-22,582**	**-7,556**	**1,726**	**-21,899**

12/31/18	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)	**-22,746**	**18,428**				**-4,318**
• Loans and receivables from credit institutions at amortized cost	0	4				4
• Customer loans at amortized cost	-21,625	17,193				-4,432
• *of which finance leases*	*-650*	*1,899*				*1,249*
• Financial assets at amortized cost – securities	-49	0				-49
• Financial assets at fair value through other comprehensive income – debt securities	-36	447				411
• Commitments given	-1,036	784				-252
Expected losses to termination (S2)	**-28,063**	**17,664**				**-10,399**
• Loans and receivables from credit institutions at amortized cost	-8	0				-8
• Customer loans at amortized cost	-27,594	16,302				-11,292
• *of which finance leases*	*-2,593*	*248*				*-2,345*
• Commitments given	-461	1,362				901
Impaired assets (S3)	**-74,815**	**124,830**	**-30,976**	**-7,450**	**1,239**	**12,828**
• Loans and receivables from credit institutions at amortized cost	0		0	-818	0	-818
• Customer loans at amortized cost	-73,839	123,065	-30,976	-6,626	1,239	12,863
• *of which finance leases*	*-1,546*	*3,210*	*-165*	*-56*	*0*	*1,443*
• Commitments given	-976	1,765	0	-6	0	783
TOTAL	**-125,624**	**160,922**	**-30,976**	**-7,450**	**1,239**	**-1,889**

NOTE 29 Net gains/(losses) on disposals of other assets

	12/31/19	12/31/18	Change	
Property, equipment and intangible assets	-759	1,072	-1,831	-171%
• Capital losses on sale	-1,928	-343	-1,585	462%
• Capital gains on sale	1,169	1,415	-246	-17%
Gains/(losses) on disposals of shares in consolidated entities	17,455	45,266	-27,811	-61%
TOTAL	**16,696**	**46,338**	**-29,642**	**-64%**

NOTE 30 Changes in the value of goodwill

	12/31/19	12/31/18	Change	
Negative goodwill stated in profit or loss	7	0	7	n.s.
TOTAL	**7**	**0**	**7**	**N.S.**

NOTE 31 Income tax

BREAKDOWN OF INCOME TAX EXPENSE

	12/31/19	12/31/18	Change	
Current taxes	-15,018	-21,138	6,120	-29%
Deferred tax expense	2,687	-741	3,428	-463%
Adjustments in respect of prior years	-3,167	-548	-2,619	478%
TOTAL	**-15,498**	**-22,427**	**6,929**	**-31%**

RECONCILIATION BETWEEN THE INCOME TAX EXPENSE RECOGNIZED AND THE THEORETICAL TAX EXPENSE

	12/31/19		12/31/18	
Theoretical tax rate	72,812	34.43%	63,798	34.43%
Impact of reduced rate on long-term capital gains	74,071	35.03%	4,335	2.34%
Impact of different tax rates paid by foreign subsidiaries	-244	-0.12%	-1,297	-0.70%
Impact of different tax rates paid by French entities	-502	-0.24%	7,996	4.32%
Impact of rate changes on temporary differences	-47,592	-22.50%	21,990	11.87%
Permanent differences	-63,294	-29.93%	-39,917	-21.54%
Other	-5,506	-2.60%	-23,970	-12.94%
Effective tax rate	**29,745**	**14.07%**	**32,935**	**17.77%**
Taxable income*	211,477		185,299	
Income tax expense	**29,745**	**14.07%**	**32,935**	**17.77%**

* *Including restatement of the income tax related to the assets held for sale.*

NOTES TO THE STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY

NOTE 32 Recycling of gains and losses recognized directly in shareholder's equity

	12/31/19 Operations	12/31/18 Operations
Translation adjustments		
Reclassification in income	0	0
Other movements	1,127	-332
Sub-total	**1,127**	**-332**
Remeasurement of financial assets at FVOCI		
Reclassification in income*	4,461	0
Other movements	18,300	-16,679
Sub-total	**22,761**	**-16,679**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	85	4,025
Sub-total	**85**	**4,025**
Remeasurement of insurance business investments (available-for-sale financial assets)		769
Reclassification in income		0
Impact of the GACM NEA merger		86,888
Sub-total	**0**	**87,657**
Remeasurement of non-current assets		
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves		
Actuarial gains and losses on defined benefit plans	1,537	-2,708
Share of unrealized or deferred gains and losses of associates	53,271	-20,843
TOTAL	**78,781**	**51,120**

* *On debt instruments*

NOTE 33 Tax on components of gains and losses recognized directly in other comprehensive income

	12/31/19			12/31/18		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	1,127	0	1,127	-332	0	-332
Remeasurement of financial assets at FVOCI	30,662	-7,901	22,761	-22,834	6,155	-16,679
Remeasurement of insurance business investments			0	1,555	-786	769
Impact of the GACM NEA merger			0	109,679	-22,791	86,888
Remeasurement of hedging derivatives	116	-31	85	5,425	-1,400	4,025
Actuarial gains and losses on defined benefit plans	2,127	-590	1,537	-3,241	533	-2,708
Share of unrealized or deferred gains and losses of associates	53,271	0	53,271	-20,843	0	-20,843
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	**87,303**	**-8,522**	**78,781**	**69,409**	**-18,289**	**51,120**

V. SEGMENT REPORTING

For segment reporting purposes, CMNE provides two levels of information. Information by business segment constitutes the first level and information by geographical area constitutes the second level.

6.6.14 Segment reporting by business segment (1st level)

The CMNE Group is structured around five divisions:

- Bankinsurance France;
- Bankinsurance Belgium;
- Insurance;
- Third-party asset management;
- Services and other activities.

The consolidation scope table provides information about the entities making up each of these divisions.

SUMMARY OF CONTRIBUTIONS BY DIVISION

	NBI		GOI		Consolidated net income		Total consolidated assets	
	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18	12/31/19
Bankinsurance France division	438,058	594,013	96,633	244,790	74,501	222,887	21,331,981	21,732,176
Bankinsurance Belgium division	253,527	243,836	-29,284	20,750	20,110	9,202	6,753,081	6,838,683
Insurance Division	0	0	0	0	67,436	86,114	1,005,981	960,490
Third-party management division	155,918	188,585	9,625	29,393	14,766	44,515	1,564,385	694,220
Services and miscellaneous activities division	3,508	3,626	1,871	3,983	12,570	16,635	170,933	181,370
Specific transactions and eliminations	-66,161	-217,382	-66,162	-217,074	-55,316	-217,073	-2,718,058	-2,234,231
TOTAL	**784,850**	**812,678**	**12,684**	**81,842**	**134,069**	**162,280**	**28,108,303**	**28,172,708**

SUMMARY BALANCE SHEET AND INCOME STATEMENTS BY DIVISION

ASSETS

12/31/18	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
Financial assets at fair value through profit or loss	748,223	78,263	-	669,450	10,811	-130,383	1,376,364
Hedging derivative instruments	37,827	458	-	-	-	-23,062	15,223
Financial assets at fair value through equity	3,789,744	947,489	-	33,943	533	-2,016,519	2,755,190
Loans and receivables due from credit institutions	3,934,639	847,288	-	381,249	4,667	-592,909	4,574,934
Loans and receivables due from customers	12,118,815	4,692,808	-	4,177	-	-236,079	16,579,721
Remeasurement adjustment on interest rate risk hedged portfolios	17,176	11,194	-	-	-	-	28,370
Securities at amortized cost	146,606	-	-	-	-	-	146,606
Investments in insurance business line	-	-	-	-	-	-	-
Accruals and other assets	309,409	147,701	-	235,770	1,456	2,991	697,327
Investments in associates	-	-	1,005,981	21,627	135,022	273,690	1,436,320
Property, equipment and intangible assets	229,542	25,853	-	35,065	17,720	-3,035	305,145
Goodwill	-	2,027	-	183,104	724	7,248	193,103
TOTAL	**21,331,981**	**6,753,081**	**1,005,981**	**1,564,385**	**170,933**	**-2,718,058**	**28,108,303**

12/31/19	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
Financial assets at fair value through profit or loss	1,134,915	56,762	-	115,366	6,662	-45,316	1,268,389
Hedging derivative instruments	39,449	362	-	-	-	-31,444	8,367
Financial assets at fair value through equity	3,814,368	769,648	-	21,242	536	-2,020,667	2,585,127
Loans and receivables due from credit institutions	3,589,718	637,796	-	55,241	4,581	-285,789	4,001,547
Loans and receivables due from customers	12,353,168	5,136,872	-	2,165	-	-119,094	17,373,111
Remeasurement adjustment on interest rate risk hedged portfolios	32,821	17,722	-	-	-	-	50,543
Securities at amortized cost	150,442	-	-	-	-	-	150,442
Investments in insurance business line	-	-	-	-	-	-	-
Accruals and other assets	304,015	168,115	-	184,073	1,554	-9,825	647,932
Investments in associates	-	-	960,490	25,236	149,663	273,691	1,409,080
Property, equipment and intangible assets	311,253	51,406	-	101,903	17,650	-3,035	479,177
Goodwill	2,027	-	-	188,994	724	7,248	198,993
TOTAL	**21,732,176**	**6,838,683**	**960,490**	**694,220**	**181,370**	**-2,234,231**	**28,172,708**

LIABILITIES

12/31/18	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
Financial liabilities at fair value through profit or loss	268,411	-	-	472,610	-	-70,720	670,301
Hedging derivative instruments	61,465	30,716	-	-	-	-23,062	69,119
Due to credit institutions	1,847,764	287,417	-	522,092	8,074	-718,054	1,947,293
Due to customers	12,066,664	5,505,516	-	-	404	-17,752	17,554,832
Debt securities	3,002,458	9,502	-	-	-	-80,041	2,931,919
Remeasurement adjustment on interest rate risk hedged portfolios	-	-	-	-	-	-	-
Accruals and other liabilities	374,053	198,609	-	400,124	395	-57	973,124
Liabilities related to insurance business policies	-	-	-	-	-	-	-
Provisions	85,758	56,953	-	1,644	1,932	-	146,287
Subordinated debt	818,725	96,315	-	-	-	-93,968	821,072
Non-controlling interests	37,323	-334	-	-36,994	-	-	-5
Shareholders' equity excluding net income attributable to owners of the company	2,694,859	548,277	951,875	190,141	147,558	-1,672,418	2,860,292
Profit (loss) for the period attributable to the Group	74,501	20,110	54,106	14,767	12,570	-41,985	134,069
TOTAL	**21,331,981**	**6,753,081**	**1,005,981**	**1,564,385**	**170,933**	**-2,718,058**	**28,108,303**

12/31/19	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
Financial liabilities at fair value through profit or loss	592,169	4,964	-	-	-	0	597,133
Hedging derivative instruments	59,642	34,047	-	-	-	-31,444	62,245
Due to credit institutions	1,202,742	12,411	-	132,913	3,746	-280,718	1,071,094
Due to customers	12,760,901	5,817,719	-	-	410	-34,044	18,544,986
Debt securities	2,620,914	8,162	-	-	-	-	2,629,076
Remeasurement adjustment on interest rate risk hedged portfolios	-	-	-	-	-	-	-
Accruals and other liabilities	436,596	208,405	-	274,386	874	-9,853	910,408
Liabilities related to insurance business policies	-	-	-	-	-	-	-
Provisions	88,224	58,638	-	2,217	25	-	149,104
Subordinated debt	815,058	94,384	-	-	-	-90,121	819,321
Non-controlling interests	36,719	-345	-	15,919	-	29	52,322
Shareholders' equity excluding net income attributable to owners of the company	2,896,324	591,096	874,376	224,270	159,680	-1,571,007	3,174,739
Profit (loss) for the period attributable to the Group	222,887	9,202	86,114	44,516	16,635	-217,074	162,280
TOTAL	**21,732,176**	**6,838,683**	**960,490**	**694,220**	**181,370**	**-2,234,231**	**28,172,708**

INCOME STATEMENT

12/31/18	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
Net banking income	**438,058**	**253,527**	**-**	**155,918**	**3,508**	**-66,161**	**784,850**
of which net interest margin	*178,960*	*207,820*	-	*430*	*-155*	*-48,747*	*338,308*
of which commissions	*206,525*	*49,106*	-	*-8,571*	-	*-7,338*	*239,722*
General operating expenses	-341,425	-282,811	-	-146,293	-1,637	1	-772,165
Gross operating income/(loss)	**96,633**	**-29,284**	**-**	**9,625**	**1,871**	**-66,162**	**12,684**
Net additions to/reversals from provisions for loan losses	-3,702	2,087	-	-162	-112	-	-1,889
Operating income	**92,931**	**-27,197**	**-**	**9,463**	**1,759**	**-66,162**	**10,796**
Share of net income (loss) of associates	-	-	36,568	1,806	11,302	-	49,676
Gains (losses) on other assets	748	44,522	-	1,068	-	-	46,338
Changes in the value of goodwill	-	-	-	-	-	-	-
Profit/(loss) before tax	**93,679**	**17,325**	**36,568**	**12,337**	**13,061**	**-66,160**	**106,810**
Corporate income tax	-19,449	2,790	-	-4,885	-491	-392	-22,427
Post-tax gains/(losses) on discontinued operations	372	-	35,631	20,743	-	11,239	67,985
Total net profit/(loss)	**74,602**	**20,115**	**72,199**	**28,195**	**12,570**	**-55,315**	**152,368**
Non-controlling interests	101	5	4,763	13,429	-	1	18,299
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**74,501**	**20,110**	**67,436**	**14,766**	**12,570**	**-55,316**	**134,069**

12/31/19	Bankinsurance France division	Bankinsurance Belgium division	Insurance Division	Third-party management division	Services and miscellaneous activities division	Specific transactions and eliminations	Total
Net banking income	**594,013**	**243,836**	**-**	**188,585**	**3,626**	**-217,382**	**812,678**
of which net interest margin	*192,238*	*204,458*	-	*-1,641*	*-87*	*115*	*395,083*
of which commissions	*178,371*	*36,889*	-	-	-	*6,674*	*221,934*
General operating expenses	-349,223	-223,086	-	-159,192	357	308	-730,836
Gross operating income/(loss)	**244,790**	**20,750**	**-**	**29,393**	**3,983**	**-217,074**	**81,842**
Net additions to/reversals from provisions for loan losses	-12,548	-9,387	-	28	8	-	-21,899
Operating income	**232,242**	**11,363**	**-**	**29,421**	**3,991**	**-217,074**	**59,943**
Share of net income (loss) of associates	-	-	86,114	3,520	13,565	-	103,199
Gains (losses) on other assets	363	-121	-	16,454	-	-	16,696
Changes in the value of goodwill	-	-	-	7	-	-	7
Profit/(loss) before tax	**232,605**	**11,242**	**86,114**	**49,402**	**17,556**	**-217,074**	**179,845**
Corporate income tax	-9,729	-2,023	-	-2,825	-921	-	-15,498
Post-tax gain/(loss) on discontinued operations	-	-	-	17,381	-	-	17,381
Total net profit/(loss)	**222,876**	**9,219**	**86,114**	**63,958**	**16,635**	**-217,074**	**181,728**
Non-controlling interests	-11	17	-	19,443	-	-1	19,448
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**222,887**	**9,202**	**86,114**	**44,515**	**16,635**	**-217,073**	**162,280**

SEGMENT REPORTING BY GEOGRAPHICAL AREA (SECOND LEVEL)

Country	Net banking income	Workforce	Net profit/(loss)
BELGIUM	243,836	1,084	9,202
FRANCE	537,706	3,177	156,090
GERMANY	9,587	34	683
HONG KONG	0	0	-867
LUXEMBOURG	4,762	25	-1,723
SPAIN	1,750	3	566
UK	14,428	30	2,753
USA	609	7	-4,423

VI. OTHER INFORMATION

6.6.15 The following standards and interpretations have not yet been adopted by the European Union

6.6.15.1 IFRS 17: Insurance policies (currently being updated)

It will replace IFRS 4, which allows insurance companies to maintain their local accounting policies for their insurance policies and other contracts within the scope of IFRS 4, which makes it difficult to compare the financial statements of entities in this sector. The date of application initially planned for 2021 should be postponed by at least one year, via an amendment on which a consultation was launched at the end of June 2019. It is expected that the application of IFRS 9 for insurance companies that have opted for deferral (GCM is included in this category) will also be deferred to the same date.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency II. Financial communication will also have to be broadly adapted.

Despite the large number of complex problems raised by the various stakeholders (25 points have been notified to the IASB), including the French bankinsurance sector, the Board has limited the subjects included in the Exposure Draft relating to the amendment to IFRS 17. This concerns in particular:

- first-time application (effective dates and temporary exemption from IFRS 9; amendments to the transitional provisions and transitional relief);
- credit cards or loan agreements with an insurance component;
- the expected recovery of cash flows related to contract acquisition costs;
- the rate at which the future contractual service margin (Contractual Service Margin/CSM) for contracts including the provision of return on investment and investment-related services is amortized to income;
- recovery of losses on underlying insurance policies for reinsurance policies held;
- the applicability of the risk mitigation election to reinsurance policies held (disposal);
- the presentation on the balance sheet of insurance assets and liabilities according to the "portfolio" grid of contracts.

On the other hand, it refused to review the provisions relating to the level of aggregation of insurance policies, except in the special case of certain specific contracts, in particular direct participatory contracts with intergenerational risk-sharing between policyholders. Other minor amendments may be endorsed through annual improvements to IFRS.

Publication of the IASB's final amendments is scheduled for mid-2020.

Lastly, the deferral of the first-time application of IFRS 17 could be extended by one year (i.e. to January 1, 2023), in view of the lobbying actions carried out by stakeholders and the process of adopting this standard at European level.

The Group's Insurance divisions are continuing to analyze and prepare for the implementation of the provisions of IFRS 17.

The Group has also initiated discussions on financial communication at the conglomerate level in connection with the IASB's reflections on primary financial statements.

6.6.16 Fair value of financial instruments recognized at amortized cost

The fair values presented are an estimate based on observable inputs at the reporting date. They are obtained by computing estimated discounted future cash flows using a yield curve that includes the signature risk inherent to the debtor.

The financial instruments presented in this note relate to loans and borrowings. They do not include non-monetary elements (equities), trade payables, other assets, other liabilities and accruals. Non-financial instruments are not discussed in this section.

The fair value of financial instruments repayable on demand and regulated customer savings deposits equals the amount that may be requested by the customer, i.e. the carrying amount.

Certain Group entities may also apply assumptions whereby fair value is deemed to equal the carrying amount for those contracts indexed to a floating rate, or whose residual life is one year or less.

Readers' attention is drawn to the fact that, except for held-to-maturity financial assets, financial instruments carried at amortized cost are not transferable or are not, in practice, sold prior to maturity. Accordingly, no capital gains or losses are recognized.

However, should financial instruments carried at amortized cost be transferred, the selling price may be significantly different from the fair value calculated at the reporting date.

	12/31/19					
	Market value	Carrying amount	Unrealized gain or loss	Level 1	Level 2	Level 3
Financial assets at amortized cost – IFRS 9	**22,691,516**	**20,446,358**	**2,245,158**	**0**	**5,939,628**	**16,751,888**
Loans and receivables due from credit institutions	4,046,701	2,922,805	1,123,896		4,062,818	-16,117
Loans and receivables due from customers	18,494,257	17,373,111	1,121,146		1,726,252	16,768,005
Securities	150,558	150,442	116	0	150,558	0
Financial liabilities at amortized cost – IFRS 9	**23,535,895**	**23,064,477**	**471,418**	**822,922**	**13,656,310**	**9,056,666**
Due to credit institutions	1,059,399	1,071,094	-11,695		1,059,404	-2
Due to customers	18,960,251	18,544,986	415,265		9,903,583	9,056,668
Debt securities	2,674,732	2,629,076	45,656		2,674,732	0
Subordinated debt	841,513	819,321	22,192	822,922	18,591	0

	12/31/18					
	Market value	Carrying amount	Unrealized gain or loss	Level 1	Level 2	Level 3
Financial assets at amortized cost – IFRS 9	**22,370,224**	**20,319,134**	**2,051,090**	**0**	**6,444,743**	**15,925,481**
Loans and receivables due from credit institutions	4,601,762	3,592,807	1,008,955		4,601,762	0
Loans and receivables due from customers	17,621,734	16,579,721	1,042,013		1,696,253	15,925,481
Securities	146,728	146,606	122	0	146,728	0
Financial liabilities at amortized cost – IFRS 9	**23,742,728**	**23,255,116**	**487,612**	**831,194**	**10,173,155**	**12,738,379**
Due to credit institutions	2,141,895	1,947,293	194,602		2,141,895	0
Due to customers	17,775,563	17,554,832	220,731		5,037,184	12,738,379
Debt securities	2,994,076	2,931,919	62,157		2,994,076	0
Subordinated debt	831,194	821,072	10,122	831,194	0	0

6.6.17 Related parties

	12/31/19		12/31/18	
	Fully-consolidated entities	Entities consolidated using the equity method	Fully-consolidated entities	Entities consolidated using the equity method
Assets	**560,207**	**177,577**	**1,102,304**	**195,500**
Financial assets at fair value through profit or loss	11,884	0	20,592	0
Financial assets at FVOCI	0	0	0	0
Financial assets at amortized cost	545,201	174,455	1,081,712	195,500
of which current accounts	*4,354*	*0*	*19,529*	*0*
Other assets	3,122	3,122	0	0
Liabilities	**466,768**	**442,610**	**1,035,976**	**473,755**
Due to credit institutions	6,878	0	513,981	0
of which current accounts	*9,458*	*0*	*7,256*	*0*
Liabilities at fair value through profit or loss	407,222	393,510	440,326	424,177
Due to customers	35,631	32,063	47,332	32,541
Debt securities	0	0	17,300	0
Subordinated debt	17,037	17,037	17,037	17,037
Interest income	16,217	5,675	50,673	5,675
Interest expense	-20,314	-4,847	-40,868	-5,012
Commission income	109,617	109,617	106,322	106,322
Commission expense	-5,184	-6,653	-4,867	-2,591
Net gains/(losses) on financial assets at FVOCI and FVPL	-6,500	0	0	0
Other income and expenses	0	-1,041	11,272	-4,366
NBI	**93,836**	**102,751**	**122,532**	**100,028**
General operating expenses	-6,861	-46,508	-5,839	-63,370

	12/31/19		12/31/18	
	Fully-consolidated entities	Entities consolidated using the equity method	Fully-consolidated entities	Entities consolidated using the equity method
Financing commitments given	21,000	0	11,000	0
Guarantees given	29,222	0	8,981	0

Amounts in the "Full consolidation" column include transactions reported by the entities consolidated using this method and which have been carried out with the rest of the Crédit Mutuel Group (excluding CMNE). Amounts in the "Equity method" column include transactions internal to CMNE that are not eliminated due to the method used to consolidate these entities.

6.6.18 Dividends

The consolidating entity has provided for the payment, outside the CMNE Group, of dividends totaling €19,283 thousand.

6.6.19 Executive remuneration

In € thousands	12/31/19	12/31/18
Short-term employee benefits	1,518	1,531
Post-employment benefits*		
Other long-term benefits		
Termination benefits		
Share-based payments	n.a.	n.a.

* *Caisse Fédérale CMNE and Beobank*

Caisse Fédérale CMNE: defined benefit plan (Article 39) granted in return for the relinquishment of 10 days' leave granted to senior management (under the agreement of June 30, 1999); this plan provides a supplementary pension equal to a maximum of 9% of the gross salary received in the 12 months prior to departure – exclusive of gratuities and bonuses – provided that the recipient is 65 years old and entitled to the payment of a pension. Entitlements are funded through contributions to a collective fund set up by Caisse Fédérale du CMNE, which is exempt from social security contributions. Annual pension payments are estimated to total €78 thousand at December 31, 2019. This estimate does not take into account beneficiaries' length of service and was calculated based on 2019 gross annual salaries, regardless of the terms of the commitment.

Beobank: Beobank has a defined contribution scheme under which it pays contributions to employees' personal pension plans until the date they leave the company. When they retire, or on their planned retirement date, scheme members are entitled to the reserves constituted from earned premiums and their share of the growth in the fund's value.

6.6.20 Statutory auditors' fees

	Members of Mazars network		Members of Deloitte network		Members of other networks	
In € thousands	12/31/19	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18
Audit						
Statutory auditors, certification	477	375	852	835	39	22
Ancillary assignments	1	26	37	19	0	3
Sub-total	**478**	**401**	**889**	**854**	**39**	**25**
Other services						
Legal, tax and corporate advisory services					487	472
Information technology					0	0
Internal audit					66	0
Other					63	681
Sub-total	**0**	**0**	**0**	**0**	**616**	**1,153**
TOTAL	**478**	**401**	**889**	**854**	**655**	**1,178**

6.6.21 Events after the reporting date

The Crédit Mutuel Nord Europe Group is fully mobilized to deal with the health crisis linked to Covid 19. As a credit institution, it is fully involved in providing close support to its professional and corporate customers in difficulty, particularly VSE/SMEs.

The Group constantly monitors the quality of its credit commitments, the valuation of its portfolios, the management of interest rate risk and its liquidity.

The accounting and prudential impacts of this situation can only be assessed at a later date. However, the government measures taken to limit the spread of the epidemic could lead to a deterioration in the quality of the loan portfolio, especially in the most affected sectors such as retail and tourism, and increase the level of provisioning. The introduction of moratoria, granted on a case-by-case basis by the network and the guarantees proposed by the State should make it possible to limit the effects, the extent of which is difficult to assess at the end of April.

The Group is also impacted by the situation in the financial markets, which could reduce the valuation of its portfolios of financial instruments (bonds, equities and derivatives). As in the 2008 crisis, there is no need for forced disposals and capital losses.

Its financial solidity enables it to face this unprecedented crisis situation, thanks to the level of its shareholders' equity, capital and the resulting ratios.

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Fiscal year ending on December 31, 2019

To the Shareholders' Meeting of the Fédération du Crédit Mutuel Nord Europe,

Opinion

In fulfillment of the assignment entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of the Crédit Mutuel Nord Europe Group for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on March 23, 2020 on the basis of the information available at that date in the context of the evolving health crisis linked to Covid-19.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The opinion given above is consistent with the content of our report to the Audit Committee.

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 accomplished our auditing mission in accordance with the applicable rules of independence, during the period from January 1, 2019 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) regulation No. 537/2014 or by the professional code of conduct (*recueil de déontologie*) of statutory auditors.

Details of the services in addition to the statutory audit which we provided during the year to your company and the entities it controls and which are not disclosed in the management report or in the notes to the consolidated financial statements were as follows:

- Deloitte & Associés: the main assignments carried out during 2019 included reviews of compliance with certain regulations and reviews of tax returns;
- Mazars: the main assignments carried out during 2019 concerned reviews of compliance with certain regulations, assignments ancillary to the audit of funds on entities in the asset management division, and the report of the independent third party on the consolidated declaration of non-financial performance included in the management report.

Observation

Without calling into question the opinion expressed above, we draw your attention to the change in accounting method relating to the application of IFRS 16 on leases and IFRIC 23 on uncertainty about tax treatments, as described in the notes to the financial statements (parts "I. General information – IFRS 16", "I. General Information – IFRIC 23 – Uncertainty about Tax Treatment", "III. Accounting policies – Leases" and "IV. Note 0 – Impacts of the first-time application of IFRS 16").

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 were made in the context of our audit of the consolidated financial statements taken as a whole, prepared as described above, and in forming our opinion expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

CREDIT RISK – IMPAIRMENT OF LOANS AND RECEIVABLES (STATUSES 1, 2 AND 3)

Identified risk

The Crédit Mutuel Nord Europe Group is exposed to credit and counterparty risk. These risks, which result from the inability of its customers or counterparties to honor their commitments, relate mainly to its customer lending activities.

In accordance with the "impairment" section of IFRS 9, your Group recognizes impairment provisions to cover the risks of expected (loans in statuses 1 and 2) and incurred (loans in status 3) credit losses.

Impairment for expected losses (statuses 1 and 2) is determined mainly on the basis of models developed by the Crédit Mutuel Group incorporating various parameters (PD, LGD, forward looking, etc.).

In the case of outstanding loans subject to known counterparty risk (status 3), the Group recognizes impairment provisions to cover known risk of loss when there is objective evidence of a decrease in value as a result of one or more events occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at each reporting date. The amount of impairment is equal to the difference between the carrying amount and the present value of the future cash flows associated with the loan, estimated by experts or using a statistical model, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Customer loans in status 3 that are not individually impaired are grouped on the basis of loan portfolios with similar characteristics. An impairment charge is recorded on sensitive outstandings on the basis of potential losses in the event of default and the probability of default to maturity, as observed internally or externally.

We have taken the view that the identification and measurement of credit risk is a key audit matter given that loans granted to customers represent a significant proportion of total assets and that the resulting provisions constitute a significant estimate used in the preparation of the financial statements and which requires management to exercise judgment in the allocation of outstanding loans to the various statuses and in the determination of the parameters and procedures for calculating impairment provisions for the loans in statuses 1 and 2 and in the assessment of the level of individual provisioning of outstanding loans in status 3.

Particularly in the context of a cost of risk maintained at a low level that your Group has experienced in its main market, we considered that the assessment of the adequacy of the level of coverage of credit risks by provisions and the level of the associated cost of risk constitute an area of particular attention as regards 2019.

As set out in note 5 "Gross values and impairment analysis" in the notes to the financial statements, credit risk exposures represent a significant portion of Crédit Mutuel Nord Europe Group's assets as of December 31, 2019 (gross exposures of €23.6 billion, including €20.9 billion for loans and receivables). The accumulated impairment provisions on outstanding loans totaled €590 million, including €50.4 million in respect of status 1, €42.2 million in respect of status 2 and €497.8 million in respect of status 3. The cost of risk for fiscal year 2019 presented in note 28 of the notes to the financial statements amounts to -€21.9 million.

For more details on accounting principles and exposures, refer to the notes "III. Accounting Principles – Financial Instruments under IFRS 9", "IV. Note 5: Gross value and impairment analysis" and "IV. Note 28 Cost of risk" in the notes to the financial statements.

Our response

Impairment of outstanding loans in statuses 1 and 2
Our work consisted mainly of:

- satisfying ourselves that the Group has an internal control system enabling the ratings of the various outstanding loans to be updated frequently enough;
- a critical review of the work on the consolidation of the Crédit Mutuel Group carried out by the internal auditors who, in collaboration with their experts and specialists:
- satisfied themselves that the Group has governance procedures ensuring that it reviews, frequently enough, the consistency of the impairment models and the parameters used to calculate impairment provisions, and analyzes changes in the impairment provisions in light of the new IFRS 9 rules;
- assessed the appropriate level of these parameters used to calculate the impairment provisions as of December 31, 2019;
- carried out counter calculations on the main loan portfolios.

Impairment of outstanding loans in status 3
As part of our audit, we examined the control system and tested the design and effectiveness of the key controls relating to the identification of exposures (and, in particular, the identification of those receivables that expose the Group to known risks), the monitoring of credit and counterparty risks, the assessment of the risks of non-recovery and the calculation of impairment and the related provisions on an individual and collective basis.

Our work consisted mainly of:

- carrying out control tests on the system for identifying and monitoring sensitive counterparties and counterparties that are non-performing or in dispute; and of the credit review process and the guarantee valuation system;
- counter-analysis of the provision amounts based on a sample of loans selected on materiality and risk criteria;
- and, in the specific case of loans granted by the local banks in the French Bankinsurance Network:
- critical analysis of the work carried out by the Crédit Mutuel Nord Europe Group's General Inspectorate in accordance with the procedures stipulated by our professional standards on the use of internal audit work. accordingly, we assessed the quality of the audit approach and methodology implemented by the General Inspectorate for the purposes of the certification of the local banks' financial statements and the results of their work;
- as regards impairment provisions related to the models for statistical provisioning on an individual or collective basis, we satisfied ourselves that the provisions concerned had been properly justified and documented;
- and, in the specific case of the Belgian Bankinsurance network:
- as regards the statistical provisions on consumer credit and credit card outstandings, our work involved using our experts to review the methodological changes affecting the provisioning model and the retrospective tests on reported historical data which were used to determine the main provisioning parameters;
- lastly, we satisfied ourselves that the segment-based provisions recognized had been properly justified and documented.

We also reviewed the detailed information in the notes to the financial statements required to comply with the "impairment" section of the IFRS 9 standard as of December 31, 2019.

CALCULATING GOODWILL AND TESTING IT FOR IMPAIRMENT

Identified risk	Our response
Goodwill is tested for impairment at least once a year or as soon as there are indications of impairment. The testing is based on the assessment of the value in use of the Cash Generating Units (CGUs) to which it is allocated. The value in use calculation is based on the discounting of the CGU's future cash flows as per the medium-term plans drawn up for the purposes of the Group's budgeting process, as explained in note 16 and the Note entitled "Business combinations and goodwill valuation". At December 31, 2019, the net value of the goodwill was €199 million. It should be noted that the goodwill in respect of the Third-party management CGU accounted for more than 98% of total net goodwill. In addition to this item, €274 million of goodwill for investments accounted for by the equity method, corresponding to GACM as indicated in note 13 of the notes to the financial statements. The value in use of the Third-party management CGU is calculated using a multi-methodological approach based on factors such as profitability and own risks, and by reference to comparable companies with known values or to valuation formulae specified in shareholders' agreements. For GACM, the valuation method used is Appraisal Value. By their very nature, these impairment tests require the exercise of judgment in estimating the value in use of the CGUs and, in particular, that of the "Third-party management" division. We therefore consider this subject to be a key audit matter.	We have examined the compliance of the methodology applied by the Group with the accounting standards in force. We have assessed the process implemented by the Group for identifying indications of impairment and carried out a critical review of the procedures for carrying out impairment tests. In this context, in conjunction with our valuation experts, to assess the valuation methods and parameters used, we have taken note of the valuations carried out: ● of the CGU "Third-party management" by an external valuation firm; ● of GACM according to the Appraisal Value method. We have also verified the consistency of the information disclosed with the results of these impairment tests.

Specific verifications

As provided by law and in accordance with French professional standards, we also specifically verified the information about the Group provided in the Board of Directors' management report dated March 23, 2020. With regard to events that occurred and information known after the closing date of the financial statements relating to the effects of the Covid-19 crisis, management has informed us that they will be communicated to the Shareholders' Meeting called to approve 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 the Group's management report. in accordance with 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 of 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 Fédération du Crédit Mutuel Nord Europe by the Shareholders' Meeting of May 11, 2007 in the case of Deloitte & Associés, and of December 7, 2012 in the case of Mazars.

At December 31, 2019, Deloitte & Associés was in the thirteenth consecutive year of its term of office and Mazars was in its eighth year.

Prior to the appointment of Deloitte & Associés, CEAF Européenne Audit, which was taken over by BDO Marque et Gendrot (itself then taken over by Deloitte & Associés), were successively statutory auditors to Fédération du Crédit Mutuel Nord Europe from 1994 to 2006 and from 2006 to 2007.

Prior to the appointment of Mazars, ACEA, which was taken over by Mazars, was statutory auditor to Fédération du Crédit Mutuel Nord Europe from 1997 to 2011.

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, it is management's responsibility to assess the company's ability to continue as a going concern, to present in those financial statements, where relevant, the necessary information relating to its viability as a going concern, and to apply the going concern accounting convention unless the company is expected to be wound up or to cease operating.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the internal control and risk management systems and, where relevant, the internal audit system, as these apply to the procedures for preparing and processing the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

Audit objectives and approach

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:

- 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;
- it 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.

Report to the Audit Committee

We submit a report to the Audit Committee which provides information about the scope of our audit and the work program implemented, as well as our audit findings. We also bring to its attention, where relevant, material weaknesses in the internal control system that we identified in respect of the procedures for preparing and processing accounting and financial information.

The information provided in our report to the Audit Committee includes the risks of material misstatement that we consider to have been the most important to the audit of the consolidated financial statements for the year under review and which therefore constitute the key audit matters, which we are required to describe in this report.

We also provide the Audit Committee with the statement stipulated by Article 6 of Regulation (EU) 537-2014 confirming our independence, within the meaning of the rules applicable in France as specified, in particular, in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where relevant, we discuss with the Audit Committee any risks to our independence and the safeguards applied.

Courbevoie and Paris-La Défense, April 21, 2020

The statutory auditors

Mazars	**Deloitte & Associés**	
Anne VEAUTE	Sylvie BOURGUIGNON	Marjorie BLANC LOURME

7

LEGAL AND ADMINISTRATIVE INFORMATION

7.1 STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Statement by the person responsible for the publication of the annual report

I certify that, to my knowledge, the financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and of all companies included in the scope of consolidation. I further certify that, to my knowledge, the attached management report presents a true and fair view of the development of the business, results and financial position of the company and of all companies included in the scope of consolidation, as well as a description of the main risks and uncertainties that they face.

Signed in Lille on April 20, 2020

Éric Charpentier
Chief Executive Officer

7.2 GENERAL INFORMATION

Caisse Fédérale du Crédit Mutuel Nord Europe is a Limited Cooperative Credit Company with variable capital, whose registered office is at 4 Place Richebé, Lille. The company is governed by the French Law of July 24, 1867 on variable capital companies, the French Law of September 10, 1947 on cooperative status and the French Banking Law of January 24, 1984 (incorporated into the French Monetary and Financial Code (Code Monétaire et Financier) since January 1, 2001).

The Caisse Fédérale's term of existence is 99 years from the date of its registration in the Lille Métropole Trade and Companies Register under number 320 342 264.

Crédit Mutuel Nord Europe has existed in its current configuration since the business combinations in 1993 and 1994 of three Caisses Fédérales de Crédit Mutuel: Nord, Artois-Picardie and Champagne-Ardenne.

The legal documents for Crédit Mutuel Nord Europe may be consulted at the company's registered office at 4 Place Richebé 59000 Lille.

7.2.1 About the company

7.2.1.1 Corporate purpose

The Caisse Fédérale was set up to manage the common interests of affiliated local banks and their members. More specifically, its purpose is to:

- accept deposits from any legal entity, particularly from affiliated local banks and, in exceptional circumstances and with the Board of Directors' agreement, from private individuals. It is also responsible for all collections and payments on behalf of its depositors;
- to establish a clearing mechanism between affiliated local banks;
- to advance funds to the affiliated local banks, for specific purposes or otherwise;
- to reinvest cash or savings;
- to obtain capital by way of borrowing, advances, discounts or the issuance of bonds, and by any means permitted under the law of September 10, 1947 on cooperative status and subsequent texts;
- to acquire equity interests in relation to any transactions related directly or indirectly to the corporate purpose;
- to determine and implement the methodology and criteria necessary for compliance with French and European supervisory rules;
- to implement and monitor a risk policy.

And more generally, to carry out, for its own account and on behalf of its affiliated local banks, all transactions in accordance with its status as a credit institution, all investment services, and all brokerage and intermediation activities in insurance operations.

7.2.1.2 Statutory distribution of profits

The Caisse Fédérale is subject to the provisions of the bylaws of cooperative companies: "the monies available, after deduction from operating surpluses of payments to the statutory reserves and the payment of interest on the securities constituting the share capital, shall be allocated to a reserve fund or attributed in the form of a subsidy to other cooperatives or to works of public or professional interest".

7.2.1.3 Shareholders' Meetings

The Ordinary Shareholders' Meeting is held each year before May 31. Meetings may be convened on an extraordinary basis whenever the Board of Directors or one-quarter of the shareholder-members so request. In the latter case, the reasons for convening a meeting must be presented in writing to the Chairman of the Board of Directors.

The Shareholders' Meeting is convened by the Chairman of the Board of Directors. If the Chairman of the Board of Directors refuses to convene a Shareholders' Meeting called for by one-quarter of the shareholder-members, they may issue a written mandate to one of their number to convene the meeting.

The Shareholders' Meeting is convened at least fifteen days in advance, by individual letter or by publication in a legal gazette.

The notice of the meeting shall list the items on the agenda and, where applicable, the list of the names of the quarter of the shareholder-members who requested that the Shareholders' Meeting be convened.

The agenda is approved by the Board of Directors. It may include, in addition to the resolutions proposed by the Board of Directors, any matter submitted to the Board at least six weeks prior to the Shareholders' Meeting being convened, with the request being signed by at least one-tenth of the total number of shareholder-members.

Only those items on the agenda may be submitted for deliberation at any Shareholders' Meeting.

7.2.1.4 Annual information document

During 2019, Caisse Fédérale du Crédit Mutuel Nord Europe published three documents containing financial information:

- in April 2019, the annual report for 2018;
- in May 2019, the financial memoranda required by the Banque de France for issuers of short-term (NEU CP) and medium-term negotiable debt securities;
- in August 2019, interim financial information as of June 30.

7.2.1.5 Calendar of financial publications

Schedule (subject to change)	
2019 annual results	May 2020
Interim results	August 2020

7.3 ORDINARY SHAREHOLDERS' MEETING OF MAY 12, 2020

Fédération du Crédit Mutuel Nord Europe
4 Place Richebé – 59000 Lille (France)
Association governed by the French Law of July 1, 1901

7.3.1 Draft resolutions

First resolution

(Approval of the parent company financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the reports of the Board of Directors and statutory auditors, approves the financial statements for 2019 in both their form and their content, which show surplus income of €3,303.51.

The Shareholders' Meeting resolves to allocate the surplus income in full to retained earnings and gives discharge to the directors for the performance of their duties.

Second resolution

(Special report of the statutory auditors on regulated agreements and commitments referred to in Articles. L. 225-38 et seq. of the French Commercial Code)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that, according to the special report of the statutory auditors, the statutory auditors have not been informed of any new agreement authorized by the Board during the year ended December 31, 2019 and falling within the scope of the provisions of Article L. 225-38 of the French Commercial Code.

Third resolution

(Approval of the pro-forma global company financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the reports of the Board of Directors and the statutory auditors, approves the pro-forma global company financial statements of the Crédit Mutuel Nord Europe Group for the year ended December 31, 2019, as presented.

Fourth resolution

(Approval of the consolidated financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the reports of the Board of Directors and the statutory auditors, approves the consolidated financial statements of the Crédit Mutuel Nord Europe Group prepared in accordance with IFRS for the year ended December 31, 2019, as presented.

Fifth resolution

(2019 budget)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, sets the Federation's budget for 2020 at €3,819,000. The share of contributions of each member local bank is set at 0.0162% of the average amount of managed funds.

Sixth resolution

(Reappointment of four directors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that the terms of office as directors of Jocelyne MORLON, Christine THYBAUT, André HALIPRÉ, Dominique BUR, Patrick LIMPENS, Alain POISSONNIER and Olivier OGER have expired.

On the recommendation of the Appointments Committee, the Shareholders' Meeting resolves to re-elect for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022:

- Jocelyne MORLON;
- Christine THYBAUT;
- Alain POISSONNIER;
- Olivier OGER.

Which persons declare that they accept their appointments.

Seventh resolution

(Appointment of a director)

On the recommendation of the Appointments Committee, the Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, also resolves to appoint as a Director for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022:

- Marie-Hélène MANCZYK, residing in Locon (62400), 170 rue de l'Echopette.

Which person declares that she accepts her appointment.

Eighth resolution

(Reappointment of the statutory auditors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having noted the resignation of Anne VEAUTE from her position as alternate statutory auditor, appoints for the remainder of the term of office, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020, Virginie CHAUVIN, as alternate statutory auditor.

Which person declares that she accepts her appointment.

Ninth resolution

(Powers to carry out formalities)

The Shareholders' Meeting grants all powers to the bearer of a copy or extract of the minutes of this Combined Shareholders' Meeting to carry out all publications and formalities required by law and regulations.

7.4 COMBINED SHAREHOLDERS' MEETING OF MAY 12, 2020

Caisse Fédérale du Crédit Mutuel Nord Europe
4 Place Richebé – 59000 Lille (France)
Limited Cooperative Credit Company with variable capital

7.4.1 Draft resolutions

7.4.1.1 Extraordinary resolutions

First resolution

(Amendment to the bylaws relating to the compensation of the Chief Executive Officer and the Chief Operating Officers)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having examined the Board of Directors' report, resolves to amend Article 18-2-1 of the bylaws in order to harmonize these provisions with Article 15 of the Law of September 10, 1947.

Article 18-2-1 of the amended bylaws is redrafted as follows:

"18-2 – Executive management of the company

1 – Composition of Executive Management

Executive Management shall consist of a Chief Executive Officer and one or more Chief Operating Officers. They shall be natural persons.

The Chief Executive Officer shall be appointed and dismissed by the Board of Directors. On the recommendation of the Chief Executive Officer, the Board of Directors shall appoint and dismiss the Chief Operating Officer(s).

In accordance with Article 15 of Law 47-1775 of September 10, 1947, the fixed compensation of the Chief Executive Officer and the Deputy Chief Operating Officers may be supplemented by a variable portion. The Compensation Committee shall propose to the Board of Directors the calculation formula that it deems appropriate. Said Committee shall set the maximum annual compensation for a period not exceeding five (5) years.

No one may be appointed or remain a member of executive management if he or she has reached the age of 70. His or her appointment shall expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the past year held after his or her seventieth birthday.

[the rest is unchanged]"

Second resolution

(Powers to carry out formalities)

The Extraordinary Shareholders' Meeting grants all powers to the bearer of an original, a copy or an extract of the minutes of this Combined Shareholders' Meeting to complete all publication, filing and other formalities required as a result of the amendments made.

7.4.1.2 Ordinary resolutions

First resolution

(Approval of the 2019 parent company financial statements)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the Board of Directors' report, the corporate governance report and the statutory auditors' reports, approves the financial statements for the year ended December 31, 2019 as presented to it, as well as the transactions reflected therein or referred to in those reports.

This applies, if necessary, to the approval of CMNE Belgium's financial statements for the fiscal year ended December 31, 2019, which were merged into the Caisse Fédérale du Crédit Mutuel Nord Europe financial statements at the same date. Accordingly, the Shareholders' Meeting grants the directors full and unconditional discharge from their duties for the said year. It also discharges the administrative and supervisory bodies of CMNE Belgium.

Second resolution

(Special report of the statutory auditors on regulated agreements and commitments referred to in Articles. L. 225-38 *et seq.* of the French Commercial Code)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, takes note of the special report drawn up by the statutory auditors on the agreements and commitments referred to in Articles L. 225-38 et seq. of the French Commercial Code.

Third resolution

(Appropriation of earnings for the year ended December 31, 2019)

On the recommendation of the Board of Directors, the Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, resolves to allocate the profit of €223,586,582.12 for the year ended December 31, 2019 as follows:

Legal reserve	€1,966,785.00
Ordinary reserves	€221,619,797.12

Fourth resolution

(Changes in the share capital)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings notes that the share capital, which was €352,877,400 at the end of 2018, stood at €372,545,250 at December 31, 2019.

Fifth resolution

(Vote on the components of remuneration policy for the Chief Executive Officer)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning corporate officers' remuneration in the corporate governance report, issues a favorable opinion on the components of remuneration due or awarded to Éric CHARPENTIER, Chief Executive Officer for fiscal year 2019.

Sixth resolution

(Vote on the components of the remuneration policy for the Chief Operating Officer)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning corporate officers' remuneration in the corporate governance report, issues a favorable opinion on the components of remuneration due or awarded to Christian NOBILI, Chief Operating Officer for fiscal year 2019.

Seventh resolution

(Vote on the components of the remuneration policy for the Chairman of the Board of Directors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning corporate officers' remuneration in the corporate governance report, issues a favorable opinion on the components of remuneration due or awarded to André HALIPRÉ, Chairman of the Board of Directors for fiscal year 2019.

Eighth resolution

(Vote on the principles and criteria for determining the components of remuneration of the Chief Executive Officer, the Chief Operating Officer and the Chairman of the Board of Directors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having taken note of the provisions concerning key executives' remuneration in the corporate governance report, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and the benefits of any kind presented in the aforementioned report and attributable by virtue of their appointments to:

- the Chief Executive Officer;
- the Chief Operating Officer;
- the Chairman of the Board of Directors.

Ninth resolution

(Advisory vote on the total amount of remuneration of all kinds paid during 2019 to the effective managers and to certain categories of staff)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having examined the corporate governance report, issues a favorable opinion on the total amount of remuneration of all kinds, which stands at €4,356,374 paid during the past year to 26 employees, namely the effective managers, as defined in Article L. 511-73, and to categories of staff, including risk takers and persons engaged in control functions, and any employee who, taking into account his or her total remuneration, is in the same remuneration bracket, and whose professional activities have a material impact on the risk profile of the company or the Group.

Tenth resolution

(Resolution on the amount allotted for "Attendance Fees")

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings resolves, on the recommendation of the Remuneration Committee, to set the maximum amount of annual compensatory allowances for time spent, to be allocated to members of the Board of Directors, at €120,000 for 2020.

This budget may be used in whole or in part, as approved by the Board of Directors.

Eleventh resolution

(Reappointment of four directors)

The Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that the terms of office as directors of Jocelyne MORLON, Christine THYBAUT, André HALIPRÉ, Dominique BUR, Patrick LIMPENS, Alain POISSONNIER and Olivier OGER have expired.

On the recommendation of the Appointments Committee, the Shareholders' Meeting resolves to re-elect for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022:

- Jocelyne MORLON;
- Christine THYBAUT;
- Alain POISSONNIER;
- Olivier OGER.

Which persons declare that they accept their appointments.

Twelfth resolution

(Appointment of a director)

On the recommendation of the Appointments Committee, the Shareholders' Meeting, voting in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, also resolves to appoint as a Director for a period of three years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022:

- Marie-Hélène MANCZYK, residing in Locon (62400), 170 rue de l'Echopette.

Which person declares that she accepts her appointment.

Thirteenth resolution

(Powers to carry out formalities)

The Shareholders' Meeting grants all powers to the bearer of a copy or extract of the minutes of this Combined Shareholders' Meeting to carry out all publications and formalities required by law and regulations.

7.5 CROSS-REFERENCE TABLE

Cross-reference table	Pages
ORGANIZATION CHART	
Presentation of the company and the Group	5-10
Dependence of the company on other Group entities	/
ADMINISTRATIVE AND MANAGEMENT BODY	
Names and functions of the members of administrative and management bodies and significant main activities exercised outside of those bodies	14-15, 22-24
Conflicts of interest concerning the administrative, management and supervisory bodies	21
Composition and functioning of committees	16
BUSINESS OVERVIEW	
• Main activities	30-41
• Principal activities of the company	
• New products and/or activities	
• Main markets	
• The company's competitive position	
INFORMATION ON TRENDS	
Statements regarding the company's outlook	42-43
Trends or events likely to influence the company's prospects for the current fiscal year	42-43
Risk factors	50-127
Non-Financial Performance Statement (NFPS)	136-151
Financial information concerning the company's assets and liabilities, financial position and profit and loss	
Major shareholders	**25-27**
Type of control exercised by the company	50-127
Arrangements likely to result in a change in control of the company	/
Financial statements	**158-230**
• Audit of historical annual financial information	
• Statement certifying that the historical financial information has been audited	231-235
• Other information contained in the registration document audited by the statutory auditors	
Source of financial information contained in the registration document that is not extracted from the company's audited financial statements	/
Date of the most recent audited financial information	12/31/19
Interim financial information	/
• Half-yearly financial information	/
• Interim financial information covering the first six months of the fiscal year, including comparative financial statements, and a review report	/
Legal and arbitration proceedings	/
Material changes in the company's financial position Information about the company	/
INFORMATION ABOUT THE COMPANY	
Persons responsible	
Person responsible for the registration document	238
Declaration by the person responsible	238
History and development of the company	
Legal and commercial name of the company	239
Place of incorporation and registration number of the company	239
Date of incorporation and length of life of the company	239
Registered office and legal form of the company, legislation under which it operates and its country of incorporation	
Address and telephone number of its registered office	244-245
Recent events particular to the company relevant to the evaluation of its solvency	/
MAJOR CONTRACTS	/
THIRD-PARTY INFORMATION AND STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST DOCUMENTS ON DISPLAY	/
DOCUMENTS AVAILABLE TO THE PUBLIC	/

7.6 CONTACT DETAILS OF GROUP COMPANIES

BANKINSURANCE DIVISION

France network

Caisse Fédérale du Crédit Mutuel Nord Europe (CFCMNE)

4 Place Richebé – 59000 Lille (France)

Tel: +33 (0)3 20 78 38 38

Website: www.cmne.fr

- Chairman of the Board of Directors: **André HALIPRÉ**
- Chief Executive Officer: **Éric CHARPENTIER**
- Chief Operating Officer: **Christian NOBILI**

Bail Actéa

4 Place Richebé – 59000 Lille (France)

Tel: +33 (0)3 28 02 57 05

Website: www.bail-actea.fr

- Chairman of the Board of Directors: **Christian NOBILI**
- Chief Executive Officer: **Bernard DUFERMONT**
- Chief Operating Officer: **Jean-Charles DHAUSSY**

Bail Actéa Immobilier (formerly Nord Europe LEASE)

4 Place Richebé – 59000 Lille (France)

Tel: +33 (0)3 28 02 56 26

- Chairman of the Board of Directors: **Christian NOBILI**
- Chief Executive Officer: **Bernard DUFERMONT**
- Chief Operating Officer: **Jean-Charles DHAUSSY**

Nord Europe Partenariat

4 Place Richebé – 59000 Lille (France)

Tel: +33 (0)2 28 02 56 83

- Chairman of the Board of Directors: **Christian NOBILI**
- Chief Executive Officer: **Philippe AMOURIAUX**

Belgium network

Crédit Mutuel Nord Europe Belgium (CMNE BELGIUM)

Note: Merger with Caisse Fédérale (CFCMNE) with effect from 12/31/19

Boulevard de Waterloo, 16 – 1000 Bruxelles (Belgium)

Tel: +32 (0)22 89 82 00

- Chairman of the Board of Directors: **André HALIPRÉ**
- Chairman of the Management Committee: **Éric CHARPENTIER**

Beobank NV/SA

Boulevard Gal Jacques, 263 G – 1050 Brussels (Belgium)

Tel: +32 (0)626 51 11

Website: www.beobank.be

- Chairman of the Board of Directors: **Éric CHARPENTIER**
- Chairman of the Management Committee: **Guy SCHELLINCK**

ASSET MANAGEMENT

La Française Group

128 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 73 00 73 00

Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Éric CHARPENTIER**
- Chairman of the Executive Board: **Xavier LÉPINE**
- Chief Executive Officer: **Patrick RIVIÈRE**

La Française Asset-Management

128 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 43 12 01 00

Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Xavier LEPINE**
- Chairman of the Executive Board: **Jean-Luc HIVERT**

La Française Real Estate Managers

128 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 73 00 73 00

Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Xavier LEPINE**
- Chairman of the Executive Board: **Marc BERTRAND**
- Chief Executive Officers: **Marc-Olivier PENIN** and **Éric ALLARD**

La Française AM International

(merger with La Française AM Finance Services at 12/31/19)

60 Grand-Rue – L-1660 Luxembourg

Tel: +352 (0)24 83 221

- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMPTE**

La Française AM Finance Services

128 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 73 00 73 00

Website: www.la-francaise.com

- Chairman of the Supervisory Board: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMTE**
- Chief Executive Officers: **Thierry SEVOUMIANS** and **Thierry GORTZOUNIAN**

La Française Investment Solutions

128 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 73 00 75 75

Website: www.lafrancaise-gis.com

- Chairman of the Supervisory Board: **Pierre LASSERRE**
- Chairman of the Executive Board: **Patrick RIVIÈRE**
- Chief Executive Officers: **Sofiène HAJ TAIEB** and **Arnaud SARFATI**
- Chief Operating Officer: **Thouraya JARRAY**

Nouvelles Expertises et Talents AM

125 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 73 00 73 00

Website: www.newalpha.com

- Chairman: **Patrick RIVIÈRE**
- Chief Executive Officers: **Lior DERHY** and **Antoine ROLLAND**

La Française Global Investments

128 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 73 00 73 00

Website: www.lafrancaise-gis.com

- Chairman of the Supervisory Board: **Pierre LASSERRE**
- Chairman of the Executive Board and Chief Executive Officer: **Sabine SCHIMEL**
- Chief Operating Officer: **Christophe LESIEUR**

Inflection Point By La Française

78 Brook Street – London W1K5EF (United Kingdom)

Website: www.la-francaise.com

Veritas Portfolio GmbH KG

Taunusanlage 18 – Main Building

60325 Frankfurt

Germany

Photo Credit: iStock

Designed & published by LABRADOR INFORMATION DESIGN +33 (0)1 53 06 30 80

Crédit Mutuel
Nord Europe

4 Place Richebé - 59000 Lille
Tel.: +33 (0)3 20 78 37 51
www.cmne.fr