Crédit Mutuel
Nord Europe

A MUTUAL BANK, CLOSE AT HAND

ANNUAL REPORT 2020

Contents

Crédit Mutuel
Nord Europe

2020 ANNUAL REPORT

The Crédit Mutuel Nord Europe (CMNE) group comprises a local bank operatingin 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 corporates, including professionals, non-profits and farmers.

This is a free translation into English of the Crédit Mutuel Nord Europe 2020 Annual Report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy, the French version prevails.

1

GROUP PRESENTATION

1.1 EDITORIAL

In a disrupted environment due to COVID-19, **agility, solidarity and solidity** were the backbone of CMNE throughout the year. The multiple consequences – economic, financial, social, societal, etc. – of the health crisis have put our banking model to the test.

From the very beginning of this unprecedented crisis, Crédit Mutuel Nord Europe group has demonstrated its **agility** to adapt its structures and thus preserve the health of its customers and employees, while ensuring the continuity and quality of its services. The widespread roll out of remote working or the implementation of strict health protocols in branches are only two examples of this commitment. These various actions, combined with the responsiveness of CMNE group employees, enabled to effectively meet the expectations of the group's **1.7 million customers and members facing the crisis**.

In 2020, the group conveyed more than ever what **solidarity** was all about. A number of measures were rapidly implemented to support our various customers: private individuals, professionals, corporates, farmers, non-profits, etc. **3,400 State-guaranteed loans** were granted to CMNE's corporate customers in the amount of €270 million, and **deferred payments of €460 million** were granted to Beobank customers experiencing difficulties. Aware of its social responsibility, CMNE is also actively committed to its regions and has launched a €600,000 fund to support local structures involved in medical research or help people made vulnerable by the crisis.

Neither the continued low interest rates, the regulatory pressure, or the consequences of the health crisis are likely to call into question the **solidity** of the Crédit Mutuel Nord Europe group. The strength of our mutual model and the relevance of our strategic choices enabled us to close the year 2020 with more than satisfactory results.

As such, **net banking income amounted to €765 million**, for **net profit attributable to the parent of €163 million** (comparable to 2019). Furthermore, once again this year, CMNE group posted ratios that are well above regulatory requirements: **the Common Equity Tier 1 ratio stood at 19.8% and the solvency ratio at 24.5%**. In addition, the group booked €26 million in provisions for non-proven risks (*i.e.* 56% of its allocation to provisions), a demonstration of its prudent risk management in an uncertain environment.

These good results in 2020 provide solid fundamentals for addressing the numerous upcoming challenges in 2021, which should be a special kind of year. We will have to deal with this ongoing crisis and look ahead when building **our new medium-term strategic plan**.

This plan will have to set the CMNE group on track to successfully enter the end of this decade with confidence, with customer and member satisfaction at the core of the strategy. It will be built in line with that of Crédit Mutuel Alliance Fédérale, with which we will be developing new synergies by 2022 following the practically unanimous decision of our directors to join Alliance Fédérale.

This merger will enable us to strengthen our assets to imagine the bank of the future. Thanks to our financial solidity and the relevance of our model, we intend to **actively contribute to making Crédit Mutuel's position stronger than ever** within Alliance Fédérale.

Olivier OGER
Chairman

Éric CHARPENTIER
Chief executive officer

1.2 BRANCH NETWORK

Crédit Mutuel Nord Europe Branches
Beobank Branches

1.3 2020 KEY FIGURES

People

1,741,952
Customers and members

3,953
Employees FTE Employees on permanent contracts

1,304
Directors

Organization

515
Branches

578
ATMs

297*
France French Network

218**
Belgium Belgian Network

416
France French Network

162**
Belgium Belgian Network

* *including 137 Local Banks, 113 offices, 33 business centers and 14 leasing branches and offices*

** *including 63 branches, 11 business centers and 144 delegated officers*

Balance sheet

€28,823m
Total consolidated assets

€3,519m
Basel III regulatory capital

Activity

€20,438m
Outstanding deposits

€66,102m
Financial and insurance-based savings outstandings

€18,286m
Loan outstandings

2,062,179
Insurance policies

Basel III Solvency ratios

19.8%
Common Equity Tier one

24.5%
Solvency ratio

Results

€765m
Consolidated net banking income

-5.9%
Compared with 2019

€163m
Consolidated net profit/(loss)

+0.6%
Compared with 2019

1.4 2020 HIGHLIGHTS

2020 was exceptional in the sense that, while facing the health crisis that challenged all stakeholders, CMNE tested its organization, its capacity to take action and its capacity for effective reorganization. Faced with the economic shocks experienced by customers, the CMNE group ensured the continuity and quality of a more than essential service. CMNE demonstrated the robustness of its model and closed the 2020 fiscal year with solid results despite the context.

2020 should be an unusual year, because while the health crisis is still ongoing, CMNE group is looking ahead and launching its new medium-term strategic plan.

This MTP for 2023 will focus on regional development and strengthening customer satisfaction. It will be built in synergy with the strategic plan of Crédit Mutuel Alliance Fédérale, following the approval by CMNE elected representatives of the convergence strategy.

Accordingly, 2021 will also be marked by the establishment of various working groups to effectively prepare for the implementation of this cohesion strategy.

Bankinsurance/France network

Activities

- Record sales of healthcare products
- Sustained sales of Plan Prévoyance and Access Prévoyance
- Very high level of AFEDIM reservations despite the crisis
- Very good performance in terms of inflows in UL, EMTNs and REITs

Innovation

- The test continued for the marketing of existing real estate
- New products: PER, Apple Pay, Senior Assistance, Your kitchen with AFEDIM, OPCI SCP LF Opsis Assurance, Pack UC Écologie 50 etc.
- Roll-out of sales discussions by video-conference

Structure

- New organization for the Pro/Farmer/Corporate/NPO division aimed at strengthening synergies with the seven sectors of the Local Banks
- Launch of a Group Data Structure common to CMNE and Beobank
- Completion of the optimization and transformation process for the federal services department: 37 projects completed representing a net gain of approximately €3 million per year

Bankinsurance/Belgium network

Activities

- Launch of profiled funds with La Française
- Solid achievements in P&C (property and casualty) sales (+30% in P&C contracts, +24.5% in outstanding mortgage loans)
- Ramp-up of Beobank Home Secure sales

Innovation

- Upgrading of the Beobank Mobile app with new features
- Roll-out of online banking and further work to achieve fully digital acquisition
- Development of the digital culture for all employees

Structure

- Continued development of the "OPEN" branch concept and network optimization
- New commission policy model for the Agents network
- New segmentation model and new Wealth Management strategy
- Launch of the Beobank House project: relocation of the head office at the end of 2021 and new working philosophy

Asset management

Activities

- €4.1 billion in net inflows, of which €2.6 billion in the real estate core business, and €1.5 billion in the financial assets core business; record SCPI inflows
- €53.5 billion in assets under management, of which 21% outside France
- Launch of four new funds for Beobank, SRI certification for six funds

Innovation

- First impact real estate loan granted by Acofi Gestion
- Launch of the new Moniwan website

Structure

- Capitalize on the complementarity of both the Real Estate and the Securities core business
- Continue to develop key areas of expertise: yield, real estate and sustainable investment
- Design a structure around the five critical focus areas identified for the medium term: real estate, securities, international, innovation and cost cutting

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 French Nord-Pas-de-Calais region helped lay the foundations of the cooperative movement and the principles of social responsibility, solidarity between members and regional anchoring. Over time, CMNE has built a solid model of a European regional universal bank, adapted to the needs of its member-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, professionals, farmers, non-profits and corporates. 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-2020 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 branches 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 63 branches employing salaried staff, 144 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 corporates.

Asset management

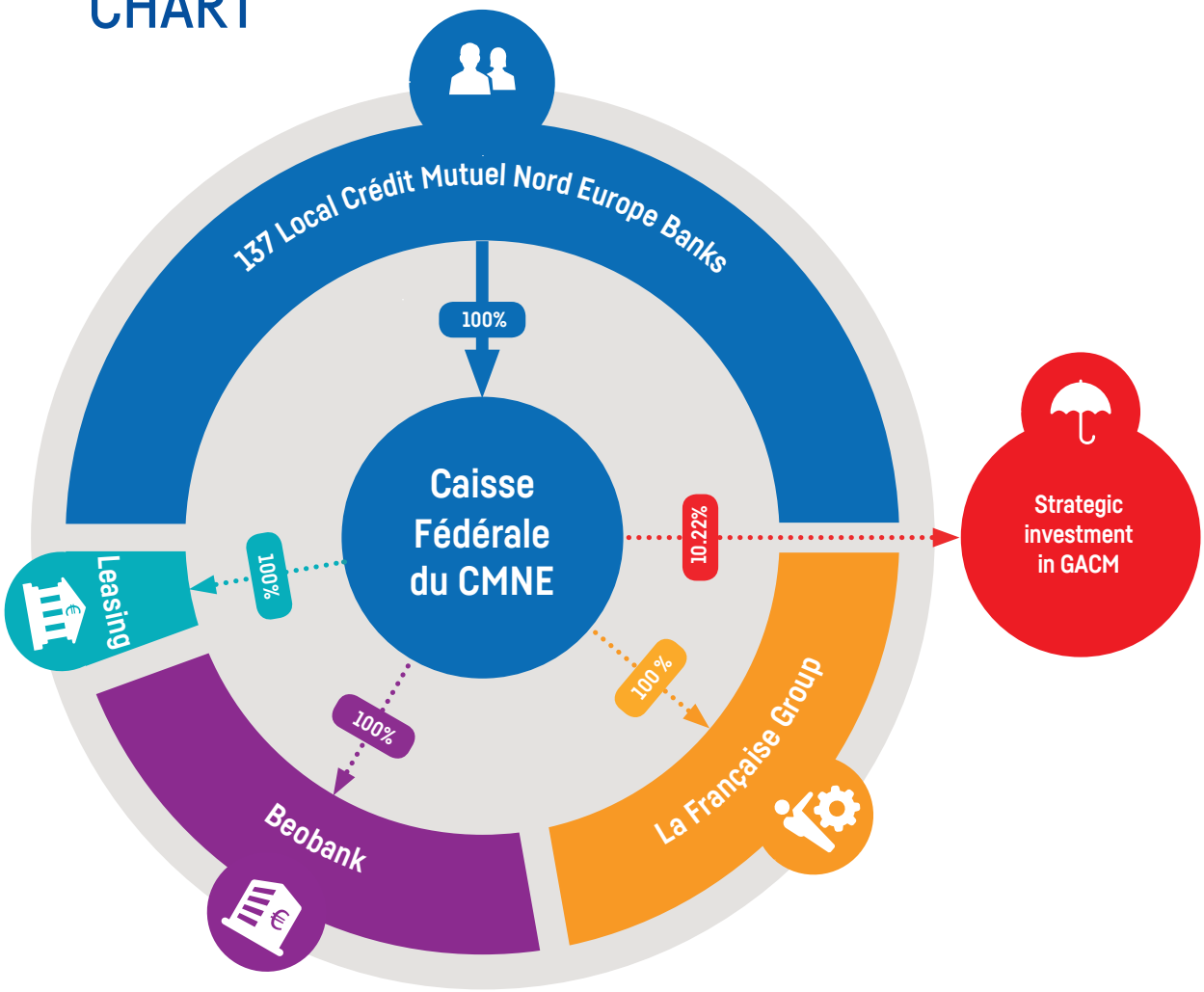
The CMNE group's second core business, the La Française group, is its third-party asset management subsidiary.

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 core business, a real estate core business and an innovation platform.

La Française entities are primarily located in France, but the group also has offices in Luxembourg, London, and Frankfurt. 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, 2020

Bancassurance
Asset-Management

Leasing

Bail Actéa
100%
Equipment leasing

Bail Actéa Immobilier
100%
Real estate leasing

CMNE network
Retail and Corporate banking

Beobank
100%
Retail banking

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

La Française AM Finance Services
100%
Investment product distribution

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
96.18%
Real estate asset management

Veritas Institutional GmbH
100%

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 La Française group executive board – Asset Management division	Patrick RIVIÈRE
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, compliance with limits, and the composition and evolution of the group entities' financial portfolios.

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

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

- each quarter, the major risk 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, 2020, the composition of the board of directors of Fédération du Crédit Mutuel Nord Europe was as follows:

Chairman:	Olivier OGER[1]		
Vice-Chairmen:	Fabienne RIGAUT[2]	Michel HEDIN[2]	
Secretary:	Catherine LAMBLIN-MESSIEN[3]		
Treasurer:	Jacques VANBREMEERSCH[3]		
Directors:	Philippe CACAUX[3] Christine DEBOUBERT[3] Sabine DUCROCQ[3] Vania FOSSAERT[3]	Marie-Hélène MANCZYK[3] Jocelyne MORLON[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 articles of association 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 L.225-18-1 of the French Commercial Code. At December 31, 2020, there were ten women and seven men on the Caisse Fédérale's board of directors, *i.e.* a female representation rate of 58.8%.

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, 2020, 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 2020, women made up 49.2% of employees on a permanent contract (base: CFCMNE 2,411 FTE, permanent contract) compared with 44% in 2010. This increase is mainly due to a greater number of female new hires: women accounted for 57.1% of permanent hires in 2020. The company is continuing its efforts to raise the proportion of women in executive posts. In 2020, women made up 27.6% of executive employees (up 5.3 percentage points since 2014). In 2020, 18 employees, including three women, were promoted to a managerial position. Three women are represented among the ten 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 articles of association and the general operating regulations. Where required, the board of directors' internal regulations and the directors' 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 137 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: Beobank and La Française group.

The executive board, which has seven members, is a consultative body that examines items that are subsequently submitted to the board of directors. It met six times in 2020.

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 risk 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 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 assesses 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 2020, it met on January 27.

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 compensation of the Caisse Fédérale's corporate officers. The committee also examines the compensation of executive managers who are not corporate officers and defines the principles governing the compensation of the corporate officers of the main group companies. The remuneration committee operates under internal regulations. In 2020, it met on January 27 and March 1 6.

2.2.3.2 Meetings of the board of directors

The board of directors met 12 times, once a month, except in August and twice in November. The attendance rate of 94% reflects the strong commitment of the directors. The average length of meetings is two hours and forty-five minutes. Due to the COVID-19 crisis, three meetings were held remotely.

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 27, 2020

- News
- Bankinsurance and Asset Management
- Initial estimates of the 2019 global pro-forma results for 2019 and forecasts for 2020
- Initial estimates of 2019 consolidated earnings
- Change in cost/income ratio
- Summary of the audit committee meeting of December 18, 2019
- Contacts with the regulatory authorities: follow-up of recommendations

  Changes in branches
- Cash management agreement

February 25, 2020

- News
- Group Bankinsurance activity
- 2020 overall forecasts
- Approval of financial statements for the year ended December 31, 2019
- 2019 annual activity report
- Approval of the Caisse Fédérale's 2019 annual financial statements and the global pro-forma financial statements
- Approval of the 2019 consolidated financial statements
- Statutory auditors' report

Regulated committees and board governance

- Report of the risk committee meeting of February 6, 2020
- Report of the appointments committee meeting of January 27, 2020 and evaluation of the board
- Report of the remuneration committee meeting of October 14, 2019 and January 27, 2020
- Decisions to be made for the preparation and convening of shareholders' meetings
- Preparation of combined shareholders' meetings – draft resolutions
- Bond issue authorization renewal
- BFCM-CMNE refinancing agreement

March 23, 2020 (board meeting held remotely)

- News-update on the "COVID-19" epidemic
- Report of the audit committee meeting of February 20, 2020
- Approval of the 2019 consolidated financial statements; statutory auditors' report
- Group risk reporting at December 31, 2019
- 2019 annual report on internal control
- Report of the risk committee meeting of March 19, 2020
- Report of the remuneration committee meeting of March 16, 2020
- Management report and corporate governance report
- Preparation of the shareholders' meetings of May 12, 2020 (update of the draft resolutions)

April 27, 2020 (board meeting held remotely)

- Memo on the economy
- "COVID-19" update
- Organization of shareholders' meetings of local banks and federal shareholders' meetings
- Deliberation of CNCM's board of directors of April 8, 2020 concerning the remuneration of Company shares of Crédit Mutuel banks, pursuant to the ECB requirements of March 27, 2020
- ICAAP Report
- Reporting on Pillar 3
- ILAAP (Internal Liquidity Adequacy Assessment Process) report
- Contingency funding plan (CFP)
- Presentation of LCB-FT annual internal control reports and asset freezes
- Presentation of the 2019 annual check report
- Summary of the risk committee meeting of March 18
- Summary of the risk committee meeting of April 9
- Summary of the remuneration committee meeting of April 20
- Quarterly follow-up to ECB recommendations
- Approval of the project for the transfer of all LFGI's assets to Caisse Fédérale du Crédit Mutuel Nord Europe through a simplified merger
- Review of the draft Merger Agreement – Approval of the terms of the Merger and the terms of the draft Simplified Merger Agreement and powers to carry out the Merger

May 12, 2020 (board meetings held remotely)

- Election of the Chairman, Vice-Chairmen, Secretary and Treasurer of Fédération du Crédit Mutuel Nord Europe
- Election of the Chairman, Vice-Chairmen, Secretary and Treasurer of Caisse Fédérale du Crédit Mutuel Nord Europe
- Election of regulated committees
- Composition of the executive board
- The latest news on "COVID-19"
- Authorization to issue shares

June 29, 2020

- News
- Economic context, effects on banks
- CMNE group 2020-2023 projections: activity, results and key ratios
- Bankinsurance and Asset Management news
- Commitment policy for fragile customers
- Monitoring of GACM investment
- March 31 risk reporting
- Risk committee report of June 15
- Audit committee report of April 28 and June 22
- Remuneration committee report of June 15
- Reflection on the creation of a carbon offset fund

July 27, 2020

- News
- Bankinsurance activity
- Changes in pricing
- Approval of the consolidated financial statements at June 30, 2020
- Work of the statutory auditors
- Interim management report
- Update of management forecasts at June 30 – global pro-forma scope

September 28, 2020

- News
- Bankinsurance activity
- Progress report on the preparation of the next strategic plan
- Coronavirus Update – ECB letter
- End-June 2020 risk reporting
- Risk committee report of September 17
- GACM update

October 26, 2020

- News
- Update on the economic and financial environment
- Bankinsurance activity
- MTP update
- Consolidated financial statements at September 30
- Report of the audit committee meeting of September 23
- Report of the risk committee meeting of October 15
- Contacts with the regulatory authorities: follow-up of recommendations

November 17, 2020 (board meeting held remotely)

Vote on the merger of Crédit Mutuel Nord Europe and Crédit Mutuel Alliance Fédérale

November 30, 2020 (board meeting held remotely)

- News
- Business line activity
- CRP update
- Audit committee report of November 4
- Contacts with the regulatory authorities: follow-up of recommendations

December 14, 2020

- News
- Monitoring of the COVID-19 crisis and the measures implemented at CMNE
- Business line activity
- Multi-year forecasts for 2020-2023 – STE
- Capital planning policy
- SREP letter report
- Update to risk policy and appetite framework and roll-out across subsidiaries
- Risk report at September 30
- Update on the french financial stability board recommendations
- GACM update
- Report of the risk committee of December 8
- Preparation of the Federation's shareholders' meeting of January 15, 2021

All meetings met the quorum and majority requirements laid down in the articles of association 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 2020, five meetings were held on the following topics:

- Monday, February 24, 2020: "Banking and financial markets, strategic bank plans";
- Monday, September 28, 2020: "IFRS consolidated financial statements";
- Monday, October 26, 2020: "Financial security and fraud";
- Monday, November 30, 2020: "Asset and Liability Management";
- Monday, December 14, 2020: "Risk policies and appetite".

In 2021, the themes selected to cover the skills areas identified by the regulator are as follows:

- internal control and permanent control system, link with risk mapping and reporting (RACI, etc.);
- ICAAP (CNCM general framework, implementation and guidance, roll-out across CMNE and subsidiaries);
- financial information;
- banks and capital markets strategy;
- new virtual currencies;
- governance and data quality policies (BCBS 239);
- understanding of Crédit Mutuel Alliance Fédérale.

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 compensation is set by the board of directors after a comparative analysis of the compensation 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 compensation for each director and corporate officer

For 2019 and 2020, the amounts shown in the tables below include compensation paid by Caisse Fédérale du CMNE and all of the group's subsidiaries.

ANDRÉ HALIPRÉ

Chairman (until 05/12/2020)	2020 fiscal year		2019 Fiscal year	
In € thousands	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	145*	145	250*	250
Benefits in kind	6	6	14	14
TOTAL	**151**	**151**	**264**	**264**

* *Belgium Bankinsurance division: €70 thousand.*

OLIVIER OGER

Chairman (from 05/12/2020)	2020 fiscal year		2019 Fiscal year	
In € thousands	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	105	105	-	-
TOTAL	**105**	**105**	**-**	**-**

ÉRIC CHARPENTIER

Chief executive officer	2020 fiscal year		2019 Fiscal year	
In € thousands	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	555*	435	552*	432
Variable annual compensation	143	43	111	67
Deferred variable compensation		25	-	
Exceptional compensation			60	60
Benefits in kind	3	3	3	3
TOTAL	**701**	**506**	**726**	**562**

* *Belgium Bankinsurance division: €120 thousand.*

Variable annual compensation

Variable compensation 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 compensation; pursuant to CRD 4 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 compensation 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 fiscal 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 2016 to 2018 (a total of €7,757), for which payment was suspended on December 31, 2019, were forfeited.
As a result of the health crisis, half of the variable compensation paid during the fiscal year was donated to support actions (notably the Institut Pasteur), *i.e.* €68,217.

Deferred variable compensation

Amount paid for previous years		25	-	-
Benefits in kind: company car	**3**	**3**	**3**	**3**

CHRISTIAN NOBILI

Chief operating officer	2020 fiscal year		2019 Fiscal year	
In € thousands	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	414	414	412	412
Variable annual compensation	95	28	73	44
Deferred variable compensation		17	-	14
Exceptional compensation			40	40
Benefits in kind	3	3	3	3
TOTAL	**512**	**462**	**528**	**513**

Variable annual compensation

Variable compensation 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 compensation; pursuant to CRD 4 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 compensation 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 fiscal 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 forfeited.
The portions attributable to fiscal years 2016 to 2018 (a total of €4,987), for which payment was suspended on December 31, 2019, were forfeited.
As a result of the health crisis, half of the variable compensation paid during the fiscal year was donated to support actions (notably the Institut Pasteur), *i.e.* €45,023.

Deferred variable compensation				
Amount paid for previous years		17	-	14
Benefits in kind: company car	**3**	**3**	**3**	**3**

2.3.2 Table on supplementary pension plans

OLIVIER OGER

	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: May 2020		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, 2020. This estimate does not take into account beneficiaries' length of service and was calculated based on 2020 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, 2020. This estimate does not take into account beneficiaries' length of service and was calculated based on 2020 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 2020. 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 the duties to the group of the board members, the chief executive officer and the chief operating officer and their private interests.

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

The remuneration committee of Caisse Fédérale du CMNE, which met on March 16, 2020, approved the principle of variable compensation 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 COMPENSATION OF STAFF ENGAGED IN CONTROL FUNCTIONS AND RISK-TAKERS

2.4.1 Opinion on the total amount of compensation, 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 4 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 compensation 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 the group.

The shareholders' meeting was asked to approve the said total amount of compensation, which stands at €4,539,874 for 2020 and which includes the fixed and variable compensation paid.

2.5 LIST OF OFFICES AND FUNCTIONS AT 12/31/2020

Olivier OGER

In France	Chairman of the board of directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		SCIENTIFIC BETA (SAS) Nice
	Chairman of the supervisory board	GROUPE LA FRANÇAISE (SA) Paris
	Vice-Chairman of the board of directors	CAISSE DE CRÉDIT MUTUEL DE VILLENEUVE D'ASCQ (Cooperative Company)
	Director	CAISSE CENTRALE DU CRÉDIT MUTUEL (Cooperative SA) Paris
		CONFÉDERATION NATIONALE DU CRÉDIT MUTUEL – Paris
Abroad	Chairman	SHEEF (Singapore Holding of the EDHEC Endowment Fund) Pte Ltd – Singapore
		SCIENTIFIC INFRA Pte Ltd – Singapore
		SCIENTIFIC ANALYTIES Pte Ltd – Singapore
	Vice-Chairman of the board of directors	BEOBANK NV/SA – Brussels

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
	Director	GROUPE LA FRANÇAISE (SA) Paris
		CRÉDIT INDUSTRIEL ET COMMERCIAL (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 Belgium (SA)
		BANQUE DE TUNISIE (SA) Tunis
	Permanent representative	ASTREE ASSURANCES (SA) Tunis – Subsidiary of BANQUE DE TUNISIE, permanent representative of 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
		NORD EUROPE PARTENARIAT (SA) Lille
	Member of the board of directors	SOCIÉTÉ IMMOBILIÈRE ET FONCIÈRE NORD EUROPE (SAS) Lille
	Permanent representative	GROUPE LA FRANÇAISE (SA) ParisRepresentative of CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the supervisory board) Représentant de la CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (membre du Conseil de surveillance)
Abroad	Director	BEOBANK (SA) Belgium

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 (SARL) 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	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	Vice-Chairman of the board of directors	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
	Director	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

Marie-Hélène MANCZYK

In France	Chairman of the board of directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Béthune
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

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

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

Nathalie POLVECHE

In France	Vice-Chairman of the board of directors	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Lens
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Co-Managing Partner	BIOPATH (Professional limited liability company) Coquelles

Fabienne RIGAUT

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

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 (SA coopérative) 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
Abroad	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 fiscal year.

2.7 INFORMATION ON THE SHARE 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, 2020, the share capital was €1,408 million.

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 nominal value of €1;
- **B shares** (transferable) with a nominal value of €1;
- **C shares** (transferable with five years' notice) with a nominal value of €1;
- **F shares** (transferable with five years' notice) with a nominal 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 in 2020 amounted to €33.5 million (gross inflows restated for internal transfers).

CHANGES IN CAPITAL

Types of shares *In € millions*	2020	2019
A shares	43	45
B shares	76	86
C shares	1,263	1,217
F shares	26	29
TOTAL	**1,408**	**1,377**

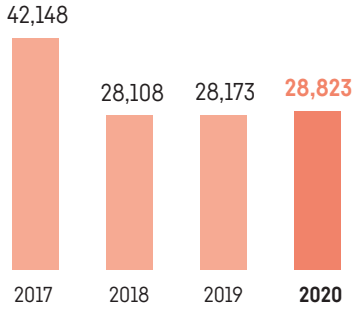
2.7.1.2 Remuneration of company shares

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 articles of association.

In 2020, the annual return on the shares was 0.55% for B shares, 1.10% for C shares and 2.49% for F shares, capped at the fixed-rate bond index (TMO) +200 bps.

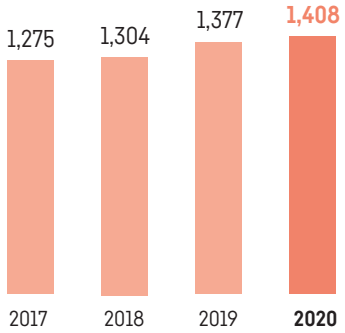
BALANCE SHEET TOTAL

In € millions



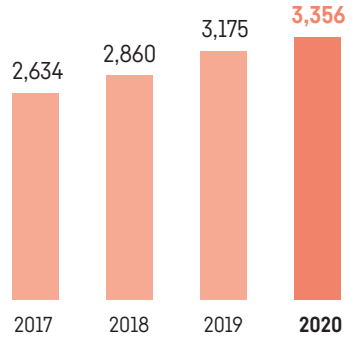
SHARE CAPITAL
(A, B, C AND F SHARES)

In € millions



SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (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.

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 the banks, was required, in this context, to make a decision applicable to all banks.

On April 8, 2020, the board of directors of CNCM adopted the decision to postpone the payment of interest on Company shares until September 30, 2020.

2.7.2 Non-equity securities

The Caisse Fédérale issues supplementary capital securities (Tier 2 and equivalent). It issued a security for €300 million in 2016. No securities were issued in 2020.

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	12/31/2020	12/31/2019
Common Equity Tier One	2,952	2,772
Additional Tier One	30	45
Tier Two	677	665
Total CRR capital	**3,659**	**3,482**
Risk-weighted assets	14,918	14,920
Solvency ratio	**24.53%**	**23.34%**
CET 1 ratio	19.79%	18.58%
T1 ratio	19.99%	18.88%

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.

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 deeply 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 capital 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 capital, the group ensures that its level of solvency is compatible with maintaining its financial strength and that the capital 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 November 17, 2020.

3

ACTIVITY AND MANAGEMENT REPORT

3.1 BANKINSURANCE

FRENCH NETWORK

2,433
Employees

297
Branches

999,381
Customers and members

ACTIVITY

2020 was an unprecedented year marked by an unprecedented health crisis, leading, in particular, to an 8.9% decline in French GDP.

Nevertheless, in this context, the French increased their precautionary savings, resulting in a sharp increase in deposits. On the financial markets, the stock market was affected by this pandemic and by the uncertainty of the US elections. The CAC 40 fell by 7.14%.

The Hauts de France region was severely affected by the health crisis. The successive lockdowns had an impact on the economic activity of the regions and the increase in vulnerability of certain households. However, thanks to government aid, business insolvencies fell by 41% in 2020, and new business incorporations posted a 5% increase (mostly self-employment).

2021 will remain challenging in the absence of any prospects of economic or tourism recovery. Business owners are worried despite the magnitude of the stimulus plans to support the regional economy. In the third quarter of 2020, the unemployment rate in the Hauts-de-France region reached 10.8% of the working population (compared to 9% nationally).

Like in 2020 where, despite lockdowns, almost all of its branch network remained accessible thanks to the strong mobilization of its teams, the Crédit Mutuel Nord Europe group will make every efforts in 2021 to ensure the continuity and the quality of its services in compliance with health protocols.

The CMNE group is more than ever ready and determined to provide effective support to its customers, as well as to all people and sectors experiencing difficulties due to the crisis.

A new sales organization for greater efficiency

The CMNE group continued to optimize its sales organization with a restructuring of its Pro/Farmer/Corporate/Non-Profit division.

The aim is to further develop synergies between the Professional Advice Centers, the Corporate Business Centers and the Local Banks, while reinforcing the customer acquisition effort. A dedicated sales team was set up to support this new strategy.

A Group Data Structure common to CMNE and Beobank was created to provide the group with a data policy, improve the customer experience, create value and develop a cross-functional data culture.

The group actively worked for its customers during the health crisis

2020 was marked by the group-wide mobilization to tackle the health crisis. As an essential activity, the group never interrupted its operations and made appropriate adjustments to its organization (remote working) and processes (review and agreement of SGLs), while ensuring the continuity and quality of its services.

Since the beginning of the health crisis, Crédit Mutuel Nord Europe group has supported its customers and regions which were significantly affected. At CMNE, nearly 3,400 State-guaranteed loans were granted to professional customers and nearly €460 million in maturity extensions were granted to customers experiencing difficulties at Beobank.

Various voluntary solidarity-based measures have also been rolled out at CMNE: cooperative stimulus bonus (artisans, retailers, professionals and SMEs), cooperative aid (students and apprentices) and free Pay Asso.

Aware of its social responsibility, CMNE launched a €600,000 support fund, which has benefited more than 310 local structures involved in medical research or has helped people made vulnerable by the crisis. At the end of 2020, the Fondation d'entreprise CMNE also launched a call for project "imagining the world after, taking action for the most vulnerable", in order to accelerate initiatives in favor of digital equality, nutritional balance and the strengthening of intergenerational relations.

Focus on network adaptation: customers 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.

The Bank continued to 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: electronic signature of contracts, monitoring of real estate loans, remote viewing of checks.

CMNE has also strengthened the organization of its Local Banks in line with the needs of its customers:

- 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;
- generalization of the "Collective Performance Management" approach, to improve the performance of sales representatives by involving them more in the decision-making process.

NEW BUSINESS AND OUTSTANDINGS

Savings: trends marked by the COVID-19 crisis

The France Bankinsurance network (Retail, Pro, Corporates and Leasing) maintained its efforts across the board and achieved significant sales performance despite the health crisis.

The lockdowns and the economic crisis helped to increase the precautionary savings accumulated by our member-customers, in passbook accounts and current accounts.

In insurance-based savings, the sales network managed to stay the course and maintain its ambitions in a challenging 2020 stock market environment and despite the many uncertainties that prevail.

Savings accounts

Increase in net banking inflows, which amounted to €1,506 million in 2020, mainly in current accounts, savings accounts and mortgage saving agreements.

Outstandings stood at €14,367 million, up 12.4%.

Financial savings

Net inflows of €393 million in 2020, mainly in financial savings, resulting in outstandings of €3,516 million, up 11.9% compared to 2019.

Insurance-based savings

In line with the market and index trends, insurance savings proved resilient in 2020 with stable outstandings of €7,396 million (-0.5%), despite a net outflow of €103 million.

Loans: stable outstandings in mortgage despite HSCF restrictions and in consumption despite the economic slowdown; increase in professional customer outstandings thanks to support measures for companies with SGLs and maturity extensions.

Overall, total new lending activity rose by 3.8% *versus* the end of December 2019.

In **consumer credit**, production in 2020 was penalized by the pandemic and the economic crisis, and posted a decline of -12.4% compared to 2019 (after several years of steady growth). Production stood at €676 million compared to €770 million last year. Outstandings remained stable overall at €1,395 million (-0.7%).

In **real estate loans**, production in 2020 was affected by the health crisis (lockdowns) and HSCF restrictions; it was down by 15.6% and totaled €1,076 million (compared to €1,275 million in 2019), with no impact on outstandings, which remained stable at €6,819 million (+0.2%).

In **loans to professional and farmers (including ISEs)**, production was very dynamic in 2020 totaling €737 million (+35.7%), in line with the 3,370 SGLs granted during the year, representing a production of €270 million. Total outstandings increased significantly to €2,549 million.

The leasing activity was also penalized by the COVID-19 crisis with production of €503 million (-10.8%) with no impact on outstandings, which represent €1,609 million (+5.9%) due maturity extensions.

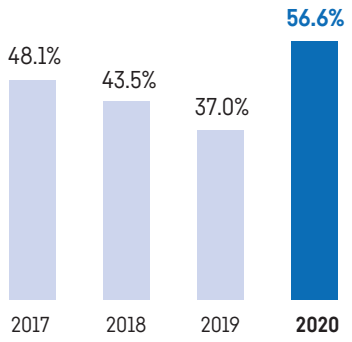
INSURANCE: STEADFAST TO ITS ROLE AS A BANKINSURANCE PROVIDER, CMNE STRENGTHENED ITS OFFERING

Following the merger with the GACM in 2018, the CMNE group now has the large catalog of insurance products and services of a group with a balance sheet total of more than €142 billion.

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, namely 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 more than 56% of inflows in 2020

UL AS A PERCENTAGE OF SAVINGS INFLOWS



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

Due to the pandemic and the economic crisis, all indexes deteriorated in 2020 (*e.g.* -7.1% for the CAC 40). The outlook of a "return to normal" with the gradual arrival of vaccines against the COVID-19 virus, did however enable to limit the decline, with a significant recovery in the markets in the second half of the year.

However, there are still significant areas of uncertainty for 2021, regarding the health situation (virus mutations and the emergence of new variants), economic conditions (increase in business insolvencies) and the political and international environment (Sino-American tensions, Brexit, migrant crisis).

In this challenging context, where CMNE was actively involved in the pension market, outstandings proved resilient, with a limited decline of 0.5% to €7,396 million, despite a net outflow of insurance savings of €103.0 million.

Sustainable growth in property and personal insurance

2020 was a good year for property and casualty insurance: the property and personal insurance portfolios grew by 1.1% and 3.0%, respectively.

In **property insurance**, the number of subscriptions fell by 10.7%, with a breakdown of 57% for auto policies and 43% for home insurance out of a total of 62,742 new policies.

Conversely, the number of new **personal insurance** subscriptions increased significantly by 31.7% with 62,908 new contracts, *i.e.* 50% in Healthcare and 50% in Personal Protection.

SERVICES: ALWAYS ON HAND FOR OUR CUSTOMERS

Telephony

In 2020, 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 Crédit Mutuel Alliance Fédérale and the joint subsidiary Euro-Information, and represents an additional service for customers while meeting the challenge of revenue diversification.

Activity almost doubled in 2020 and now represents a total of 2,602 contracts at December 31, 2020.

HOMIRIS

In both 2019 and 2020, all CMNE teams were mobilized to propose the Homiris (formerly Provol) remote surveillance service. The results are on target, with 3,493 new contracts and a 3.2% increase, *i.e.* 25,983 contracts in total.

AFEDIM

As in previous years, and despite the crisis, CMNE confirmed its ability to sell new properties, generating 821 home reservations in 2020 and confirming its rank as the national leader for the eighth year in a row.

In total, 4,459 new homes have been delivered since 2011, with more than 2,200 Zen Invest management mandates in the portfolio.

In addition, the test on the sale of existing real estate also continued during the year and the new product "Your kitchen with AFEDIM" was offered to customers.

3

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 2020, 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 customer-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 expects their income levels to increase in future years. At the end of the loan transaction, customers have 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. Customers purchase from Foncière Nord Europe the right to use a new home for a long period of time (approximately 50 years) and receive a discount on the total price of the home of between 30% and 40% compared to the amount that they would have paid if they had acquired the property under a conventional scheme. 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	12/31/2020	12/31/2019	Change
Net banking income	**394,558**	**594,013**	**-199,455**
of which net interest margin	182,318	192,238	-9,920
of which commissions	197,554	178,371	19,183
General operating expenses	-306,293	-349,223	42,930
Gross operating income/(loss)	**88,265**	**244,790**	**-156,525**
Cost of risk	-23,917	-12,548	-11,369
Operating income	**64,348**	**232,242**	**-167,894**
Net gains/(losses) on disposals of other assets	-233	363	-596
Pre-tax income from continuing operations	**64,115**	**232,605**	**-168,490**
Corporate income tax	-12,504	-9,729	-2,775
Post-tax gains/(losses) on discontinued assets	-3		-3
Total net profit/(loss)	**51,608**	**222,876**	**-171,268**
Non-controlling interests	460	-11	471
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT	**51,148**	**222,887**	**-171,739**

The net banking income of the French Bankinsurance network decreased by €199 million to €395 million.

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

General operating expenses were down by €43 millions, due to a decrease in the incentive and profit-sharing budget, and cost savings associated with the COVID-19 health crisis.

Cost of risk was up by €11.4 million, also due to the health crisis. Accordingly, Crédit Mutuel group reviewed the parameters used to calculate the IFRS 9 provision, and supplemented this approach by setting up a sectoral provision for sensitive sectors.

In total, net profit attributable to the parent was down by €171.7 million.

BELGIAN NETWORK

979
Employees

218
Branches

742,571
Customers

ACTIVITY

Beobank's goal is to become the bank with the most comprehensive offering of products and services in Belgium. Despite an unprecedented economic and health crisis, it continued to strengthen the structure of its various activities in 2020.

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.

To achieve this goal, Beobank focused on pursuing its MTP, which can be summarized in three points: diversification of growth in revenues, effective cost control and management, and the ongoing need to remain agile and flexible in all areas.

Beobank: a bankinsurance provider in its own right

After a good start of the year, Beobank had to reorganize its priorities and effectively address the health crisis. It was critical, as an essential service, to be present alongside customers, and to support them through the implementation of special measures.

The branches remained open but digital and remote banking services were massively used and many processes were adapted in order to serve customers entirely remotely.

Overall, sales results were more than satisfactory, particularly in investment products, mortgages and property and casualty insurance production, with new historical highs despite the health crisis. However, due to the total or partial lockdown periods, consumption in Belgium was down, which translated into a reduction of consumer credit products (loans and cards).

Main commercial achievements

The main commercial achievements in 2020 are the continued development of the "OPEN" branch concept, the new commission policy model for the Agents network, the "Channels 2025" Sales project, the Retail-PRO-Invest synergy, and the launch of new profiled funds in collaboration with La Française.

Growth projects

Despite a challenging year where adjustments had to be made to deal with the health crisis, Beobank further developed the growth projects initiated in 2019, with the aim of diversifying the product range, reducing costs and generating additional revenues.

Particular focus was placed on projects related to the optimization of the internal organization, particularly in connection with the installation in the new head office during the third quarter of 2021.

Beyond a change in location, the aim is to develop a new working philosophy by offering a dynamic, flexible and friendly working environment to employees, in order to increase employee efficiency and stimulate interactions and collaboration.

NEW BUSINESS AND OUTSTANDINGS

Savings

Savings accounts

The deposit portfolio was up 2.7% compared to 2019, reaching €4.7 billion. This growth was driven by deposits on current accounts and the opening of individual customer current accounts.

Financial savings

The financial savings portfolio was up by 3.3% in 2020 and amounted to €1.7 billion, with net inflows of €28 million over the year.

Insurance-based savings

The insurance-based savings portfolio was down, given the low interest rate environment and relatively unattractive taxation. The outstanding totaled €1.4 billion.

Loans

Production of **personal loans** totaled €536 million, down compared to last year due to the health crisis, despite a very good start of the year. Outstandings decreased slightly to €2.04 billion (a decline of 2%).

The **mortgage loan** portfolio continued to growth in 2020 and achieved a new record. It increased by 24.5% to €2.95 billion, with €860 million in new loans.

The commercial development of the **professional customers business** also had to face the impacts of the crisis with a very good start, followed by a significant decrease in connection with the health crisis. Overall, outstandings remained stable compared to last year. Positions in short-term loans to professionals increased by 15% with outstandings of €86 million. At the same time, outstanding investment loans were down by 3.5% and amounted to €515 million.

Focus: loans to professionals

In the context of the health crisis, moratoriums amounting to €460 million were granted to customers experiencing difficulties in 2020.

SERVICES: ALWAYS ON HAND FOR OUR CUSTOMERS

Day-to-day banking
The number of accounts opened is 38,368 and remains stable despite the context. Outstanding loans amounted to €1,413 million, up 24%.

Insurance
19,571 contracts signed in 2020, up 30% compared to 2019. The number of personal insurance policies was 377.

Non-banking products
1,212 applications and 911 “Home Secure” installations were completed in 2020, despite the lockdown. The portfolio included almost 2,000 contracts at the end of 2020.

SIMPLIFIED RESULTS

INCOME STATEMENT

In € thousands	12/31/2020	12/31/2019	Change
Net banking income	**242,024**	**243,836**	**-1,812**
of which net interest margin	204,288	204,458	-170
of which commissions	32,986	36,889	-3,903
General operating expenses	-208,934	-223,086	14,152
Gross operating income/(loss)	**33,090**	**20,750**	**12,340**
Cost of risk	-19,508	-9,387	-10,121
Operating income	**13,582**	**11,363**	**2,219**
Net gains/(losses) on disposals of other assets	312	-121	433
Pre-tax income from continuing operations	**13,894**	**11,242**	**2,652**
Corporate income tax	-2,126	-2,023	-103
Total net profit/(loss)	**11,768**	**9,219**	**2,549**
Non-controlling interests	17	17	0
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT	**11,751**	**9,202**	**2,549**

Net Banking Income remained stable at €242 million.

The decrease in general operating expenses of €14 million is mainly due to the absence of costs related to the EOLE migration (residual invoices of €7.7 million in 2019) and a reduction in logistics and marketing costs related to the health crisis.

Cost of risk more than doubled and stood at -€19.5 million. The IFRS 9 provision models were reviewed to adapt to the context and were supplemented by a sectoral provision for sensitive sectors.

Net profit attributable to the parent, after tax, of the Belgian Bankinsurance network came out at €11.7 million, up €2.5 million compared with 2019.

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 Actea and Bail Actea 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	12/31/2020	12/31/2019	Change
ASSETS			
Financial assets at fair value through profit of loss	946,268	1,147,151	-200,883
Hedging derivative instruments	2,708	8,367	-5,659
Financial assets at fair value through other comprehensive income (OCI)	2,292,986	3,008,461	-715,475
Loans and receivables due from credit institutions	4,968,246	3,975,769	992,477
Loans and receivables due from customers	18,189,571	17,490,039	699,532
Remeasurement adjustment on interest rate risk hedged portfolios	63,224	50,543	12,681
Securities at amortized cost	43,597	150,442	-106,845
Accruals and other assets	385,703	472,673	-86,970
Investments in equity-consolidated companies	1,297,247	1,234,181	63,066
Property, plant and equipment and intangible assets	377,799	362,659	15,140
Goodwill	2,027	2,027	-
TOTAL	**28,569,376**	**27,902,312**	**667,064**
LIABILITIES			
Financial liabilities at fair value through profit or loss	154,892	597,133	-442,241
Hedging derivative instruments	53,159	62,245	-9,086
Amounts owed to credit institutions	843,057	1,053,528	-210,471
Amounts owed to customers	20,480,632	18,578,620	1,902,012
Debt securities	2,032,731	2,629,076	-596,345
Remeasurement adjustment on interest rate risk hedged portfolios	-	-	-
Accruals and other liabilities	535,991	645,516	-109,525
Provisions	146,029	146,862	-833
Subordinated debt	821,953	819,321	2,632
Non-controlling interests	35,822	36,402	-580
Shareholders' equity excluding net income attributable to the parent	3,351,194	3,211,845	139,349
Profit/(loss) for the period attributable to the parent	113,916	121,764	-7,848
TOTAL	**28,569,376**	**27,902,312**	**667,064**
INCOME STATEMENT			
NET BANKING INCOME	**636,582**	**641,410**	**-4,828**
of which net interest margin	386,787	396,811	-10,024
of which commissions	230,540	215,260	15,280
General operating expenses	-515,227	-572,309	57,082
GROSS OPERATING INCOME	**121,355**	**69,101**	**52,254**
Cost of risk	-43,425	-21,935	-21,490
OPERATING INCOME	**77,930**	**47,166**	**30,764**
Share of net income/(loss) of associates	51,017	86,114	-35,097
Net gains/(losses) on disposals of other assets	79	242	-163
PRE-TAX INCOME FROM CONTINUING OPERATIONS	**129,026**	**133,522**	**-4,496**
Corporate income tax	-14,630	-11,752	-2,878
Post-tax gains/(losses) on discontinued operations	-3	-	-3
TOTAL NET INCOME	**114,393**	**121,770**	**-7,377**
Non-controlling interests	477	6	471
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT	**113,916**	**121,764**	**-7,848**

3.2 ASSET MANAGEMENT

ASSET MANAGEMENT

LA FRANÇAISE

541
Employees

€53
billion in assets under management

ACTIVITY

2020 was an unprecedented year due to the many impacts of the global health crisis. Faced with this unprecedented environment, La Française group had to adapt its business and organization, thereby demonstrating resilience and flexibility. Accordingly, the group maintained a very high level of service quality by adjusting its working and communication methods with stakeholders (employees and customers).

La Française group continued its growth trend and successfully strengthened its competitive positioning in both its real estate and financial assets core businesses, despite the economic impacts and distancing that have spared none of its activities.

The product offering, which is mainly focused on yield and ESG, enabled the group to maintain its assets under management, which amounted to €53.5 billion at the end of December 2020, including 21% outside France.

The group's business model, with its two business drivers – real estate and financial assets – and its diversified customer base, remains robust and enables the group to prepare for the future with confidence.

Highlights and key figures

2020 was a pivotal year for the repositioning of GLF around its scope and strategic areas in order to partially offset the lack of opportunities due to the health crisis:

- **REAL ESTATE**
  - Maintaining the group's leadership in the management of collective real estate vehicles in France,
  - Continued development of international expertise with dedicated real estate solutions,
  - Support in the shift of arbitrage decisions in Life-Insurance, in particular towards UL contracts;
- **SECURITIES**
  - Showcasing key Yield expertise, in particular through defined-maturity funds,
  - Development of sustainable investment strategies with an enhanced Carbon Impact range,
  - Attraction of institutional investors for the group money market fund;
- **INTERNATIONAL**
  - Repositioning our presence in Germany to make it the group's second-largest domestic market,
  - Maintaining a strong dynamic integration process by creating a single commercial platform for real estate and securities activities,
  - Simplification of the corporate structure, branding and implementation of the La Française group convergence plan;
- **INNOVATION**
  - Launch of the new online distribution site Moniwan with a range of digital services,
  - Deployment of the Sustainable Investment strategy within the group;
- **COST REDUCTION PLAN**
  - Simplification process completed with the disposal of LFIS operations,
  - Closure of Forum Securities, discontinuation of commercial JVs and La Foncière du Grand Paris, reduction in the number of legal entities.

NEW BUSINESS AND ASSETS UNDER MANAGEMENT

Real Estate Core Business

Highlights

- Continued sales momentum in collective real estate, with record inflows in REITs;
- Deployment of new agreements with major retail networks which enabled the creation of new real estate UL contracts;
- Launch of the new Moniwan website and the Agil'Immo service;
- Increased activity in Europe (significant success with Danish pension funds, developments in Germany, etc.).

Quantitative data

- Gross inflows in 2020: €2.6 billion (including a record €1.3 billion in REITs);
- Assets under management: €26.6 billion, of which 23% outside France;
- La Française REM ranked as leading French REIT (in outstandings).

Financial Assets Core Business

Highlights

- Resilience of La Française AM's securities products;
- Proven multi-management expertise for NewAlpha, recognized by the Emergence market fund and Massachusetts public pension fund;
- Launch of four new funds for Beobank;
- First impact real estate loan granted by Acofi Gestion;
- SRI certification for six funds.

Quantitative data

- Inflows in 2020: €1.5 billion;
- Assets under management: €26.8 billion.

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, Newton Square, NEXT AM, LFAM Ibéria, Siparex XAnge Venture 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, La Française group UK Finance Limited and La Française group UK Limited; in the United States: La Française Forum Securities Limited; and in Hong Kong: JKC Capital Management. In Germany, there are also the La Française AM GmbH, Veritas Institutional GmbH and Veritas Management GmbH entities. The division's contribution to the consolidated financial statements of the CMNE group is reflected in the following figures:

In € thousands	12/31/2020	12/31/2019	Change
ASSETS			
Financial assets at fair value through profit of loss	97,820	115,366	-17,546
Hedging derivative instruments	-	-	-
Financial assets at fair value through other comprehensive income (OCI)	6,553	21,242	-14,689
Loans and receivables due from credit institutions	35,281	55,241	-19,960
Loans and receivables due from customers	2,201	2,165	36
Securities at amortized cost	-	-	-
Accruals and other assets	118,238	184,073	-65,835
Investments in equity-consolidated companies	28,774	25,236	3,538
Property, plant and equipment and intangible assets	92,592	101,903	-9,311
Goodwill	190,387	188,994	1,393
TOTAL	**571,846**	**694,220**	**-122,374**
LIABILITIES			
Financial liabilities at fair value through profit or loss	209	-	209
Amounts owed to credit institutions	114,309	132,913	-18,605
Amounts owed to customers	-	-	-
Debt securities	-	-	-
Accruals and other liabilities	189,812	274,386	-84,574
Provisions	2,215	2,217	-2
Non-controlling interests	7,131	15,919	-8,788
Shareholders' equity excluding net income attributable to the parent	235,293	224,270	11.023
Profit/(loss) for the period attributable to the parent	22,878	44,516	-21,638
TOTAL	**571,846**	**694,220**	**-122,374**
INCOME STATEMENT			
NET BANKING INCOME	**147,826**	**188,585**	**-40,759**
of which net interest margin	-1,331	-1,641	310
of which commissions	94	-	94
General operating expenses	-140,294	-159,192	18,898
Gross operating income/(loss)	**7,532**	**29,393**	**-21,861**
Cost of risk	-59	28	-87
Operating income	**7,473**	**29,421**	**-21,948**
Share of net income/(loss) of associates	901	3,520	-2,619
Net gains/(losses) on disposals of other assets	17,683	16,454	1,229
Changes in the value of goodwill	-	7	-7
Pre-tax income from continuing operations	**26,057**	**49,402**	**-23,345**
Corporate income tax	-2,799	-2,825	26
Post-tax gains/(losses) on discontinued operations	3,468	17,381	-13,913
Total net profit/(loss)	**26,726**	**63,958**	**-37,232**
Non-controlling interests	3,848	19,443	-15,595
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT	**22,878**	**44,515**	**-21,637**

The division's net banking income was down by €40.8 million, following a decrease due to the health situation. The decrease in general operating expenses was insufficient to offset this reduction and, as a result, gross operating income was down by €21.9 million. The decrease in net gains and losses from discontinued operations is attributable to the sale of LFIS/UGP.

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 Actea Environnement.

IFRS CONSOLIDATED FINANCIAL STATEMENTS

In € thousands	12/31/2020	12/31/2019	Change
ASSETS			
Financial assets at fair value through profit of loss	-	6,662	-6,662
Financial assets at fair value through other comprehensive income (OCI)	521	536	-15
Loans and receivables due from credit institutions	9,136	4,581	4,555
Loans and receivables due from customers	-	-	-
Accruals and other assets	1,834	1,554	280
Investments in equity-consolidated companies	196,108	149,663	46,445
Property, plant and equipment and intangible assets	16,947	17,650	-703
Goodwill	724	724	-
TOTAL	**225,270**	**181,370**	**43,900**
LIABILITIES			
Financial liabilities at fair value through profit or loss	-	-	-
Hedging derivative instruments	-	-	-
Amounts owed to credit institutions	2,613	3,746	-1,133
Amounts owed to customers	431	410	21
Accruals and other liabilities	313	874	-561
Provisions	139	25	114
Subordinated debt	-	-	-
Non-controlling interests	-	-	-
Shareholders' equity excluding net income attributable to the parent	173,678	159,680	13,998
Profit (loss) for the period attributable to the parent	48,096	16,635	31,461
TOTAL	**225,270**	**181,370**	**43,900**
INCOME STATEMENT			
Net banking income	**3,199**	**3,626**	**-427**
of which net interest margin	-54	-87	33
of which commissions	-	-	-
General operating expenses	-1,583	357	-1,940
Gross operating income/(loss)	**1,616**	**3,983**	**-2,367**
Cost of risk	46	8	38
Operating income	**1,662**	**3,991**	**-2,329**
Share of net income/(loss) of associates	46,765	13,565	33,200
Net gains/(losses) on disposals of other assets	-	-	-
Pre-tax income from continuing operations	**48,427**	**17,556**	**30,871**
Corporate income tax	-331	-921	590
Total net profit/(loss)	**48,096**	**16,635**	**31,461**
Non-controlling interests	-	-	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT	**48,096**	**16,635**	**31,461**

3.5 TRENDS AND OUTLOOK FOR 2021

The COVID-19 crisis has disrupted the global economy. The lockdown measures taken in the various countries to stop the spread of the virus have had and continue to have serious consequences for the functioning of the real economy and financial markets. Since banking is an essential activity in supporting the economy, CMNE adapted its organization, just like it did in 2020, to ensure that customer service is maintained with priority given to the health of its employees.

Flash-back on a crisis set to last

The end of 2020 was marked by a second lockdown that was less strict than that of the spring but whose economic and social consequences were unfortunately identical.

On October 23, 2020, over 1 million people were infected by the virus in France.

- Widespread measures were put in place to mitigate the epidemic wave and relieve the healthcare system.
- November 9, 2020: Pfizer and BioNTech announce that their vaccine is 95% effective based on preliminary results.
- November 28, 2020: easing of lockdown in France with the opening of non-essential shops and introduction of a curfew at 8 p.m.
- December 15, 2020: a curfew prohibits all travel throughout mainland France between 8 p.m. and 6 a.m. At the beginning of January, this curfew was brought forward to 6 p.m. in 25 departments. It will be extended to 6 p.m. across the whole of France from January 16.
- December 21, 2020: a new variant of the virus spreads in Great Britain thereby imposing a new lockdown; travel to France from Great Britain is interrupted.
- December 27, 2020: official start of the vaccination campaign.
- January 20, 2021, The French government (*Assemblée nationale*) votes to extend the state of health emergency until June 1, 2021.
- From January 31: new restrictions are imposed, including the closure of major shopping centers, increased remote working, travel ban for entering and exiting the country. Many departments are placed under a vigilance status, including Hauts-de-France.
- February 25: lockdown on weekends from Friday 6 p.m. to Monday 6 a.m. for Dunkirk. This measure became region-wide in Hauts-de-France from March 20.
- March 31: the COVID-19 epidemic continues to spread, the French President announces new containment measures. Nurseries, schools, and middle and high schools are closed for three weeks as of April 6. As for the restrictions already in place in 19 departments, they are extended nation-wide from April 3 for four weeks.

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:
  - Immediate operations to provide abundant liquidity on favorable terms for euro area banks;
  - 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),
  - Supplemented by a €1,850 billion Pandemic Emergency Purchase Program (PEPP) for public and private sector securities until March 2022, 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 Common Equity Tier 1 capital (a fall of more than 5% in core Tier 1 capital) to absorb losses and support lending activity. They confirmed that the reconstitution of capital buffers would not be requested before the end of 2022.

A European package set up by regulators imposing the non-payment of dividends by banks in 2020.

At the same time, budgetary support measures were implemented to preserve purchasing power and safeguard companies in France (€470 billion relief plan) and Belgium (€15 billion):

- Immediate support for companies and their employees:
  - Short-time working measures,
  - Deferral or even exemption from social security contributions and taxes,
  - Establishment of a solidarity fund and a tax credit to reduce rents,
  - Reinforcement of State-guaranteed loans and direct loans from the State to companies;
- Exceptional interventions by banks and governments in support of businesses' cash flow:
  - €300 billion of new treasury loans for companies, largely guaranteed by the French State granted in 2020,
  - €51 billion of Sate-guaranteed programs set up by the Belgian government in 2020,
  - Suspension of maturities on loans.

In addition, approval by the European Parliament on February 10, 2021 of a recovery plan of €750 billion in the form of grants and loans granted to the states (including €40 billion for France and €6 billion for Belgium).

The European plan will therefore finance national programs in all Member States, aimed at addressing the crisis linked to the COVID-19 pandemic. Its objectives are two-fold:

- in the short term, boost the economy by supporting gross national income, investment and living standards of households;
- in the long term, continue to invest in European priority areas, in particular the green transition and digital transformation.

CMNE crisis management organization

Throughout 2020, CMNE remained faithful to its commitments to provide advice and proximity during these unprecedented moments. The bank continued to monitor the operations of its individual customers and provided support to its corporate, professional and agricultural customers economically impacted by COVID-19, while ensuring the protection of 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 defines the internal and external communication strategy (methodology, distribution channels) to adopt.

In the context of the health crisis, the following adjustments were made to the organization of the network's work, while respecting the safety conditions of employees:

- Implementation of remote working one to two days a week and reinforcement of network support to compensate for absences;
- Adjustment of opening hours based on the number of visitors and roll-out of video-conference customer appointments;
- Accessibility for physical contact only for essential banking operations with barrier gestures and sneeze-guards;
- Adaptation of the operation of customer relations centers without impact on the quality of service, etc.;
- Implementation of the "childcare" and "activity exemption" system;
- Distribution of category 1 surgical masks and washable masks.

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 remote working and relocated work to enable compliance with lockdown measures.

Outlook for 2021

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 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 for sure: Crédit Mutuel Nord Europe group's results for 2020 reflect the resilience of its three core businesses and expertise, which have all made an effective contribution to managing this collective crisis. The results are solid and enable to prepare for the post-crisis period.

2021 should be an unusual year and the CMNE group will more than ever draw on its expertise and financial strength to help its customers, members, partners and regions make it through and recover from the crisis. As an illustration of this commitment, CMNE is involved in the "Reboost" fund, designed to support the regional economic fabric set up by various economic players, together with the Hauts-de-France region and BPI France. It enables SMEs experiencing economic difficulties which can be overcome, to benefit from the capital necessary for their recovery, development or transformation.

Beyond this ability to rapidly take action, the CMNE group is looking ahead and preparing its next medium-term plan, which should set the group on track to successfully enter the end of the decade. In particular, it will incorporate the first lessons from the management of the pandemic and will take into account the societal changes that will mark the end of the 2020 decade (aging population, restructuring of regions, fight against global warming).

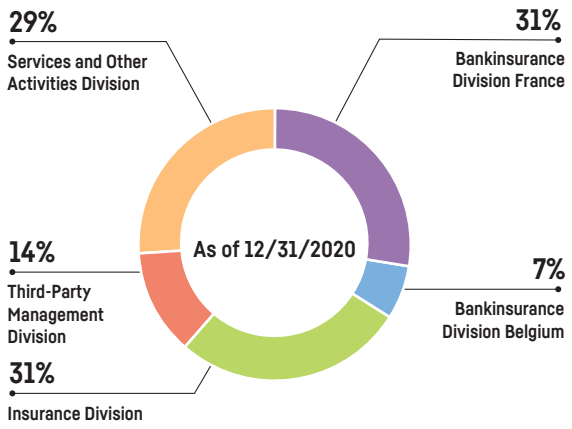
3.6 CONSOLIDATED DATA

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	
	12/19	12/20	12/19	12/20	12/19	12/20	12/19	12/20
Bankinsurance	619,753	613,822	48,466	99,091	101,129	92,159	27,353,839	28,047,495
Third-party asset management	189,299	148,322	29,393	7,532	44,516	22,878	642,059	559,544
Services and other activities	3,626	3,199	3,983	1,616	16,635	48,096	176,811	216,134
TOTAL	**812,678**	**765,343**	**81,842**	**108,239**	**162,280**	**163,133**	**28,172,708**	**28,823,174**

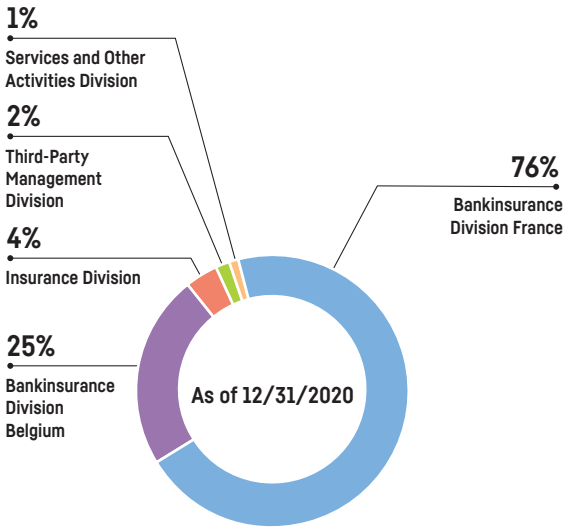
CONSOLIDATED NET INCOME

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 12/20	Government subsidies
Belgium	242,024	56,088	-430	-1,696	-42,194	1,041	2
Germany	6,644	-2,274	-108	180	-1,185	34	0
Spain	972	289	-68	0	-79	4	0
United States	1	2	0	0	-1	6	0
France	505,295	284,922	-8,259	-7,283	-112,927	3,063	0
Luxembourg	0	0	0	0	0	5	0
United Kingdom	10,407	1,400	-96	0	-825	33	0
Hong Kong	0	-1,463	0	0	0	0	0
TOTAL	**765,343**	**338,964**	**-8,961**	**-8,799**	**-157,211**	**4,186**	**3**

This information is required under Order No. 2014-158 of February 20, 2014, which amended Article L.511-45 of the French Monetary and Financial Code and transposed CRD 4.

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 their net profit for the period by total assets. At December 31, 2020, this rate was 0.58%.

3.6.4 Gross carrying amount of exposures by category and probability of default tranche at 12/31/2020

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	1,962,497	6,657	0	0
0.1-0.25	0	4,528,464	222	0	0
0.26-0.99	0	2,532,312	12,997	0	0
1-2.99	155	5,792,789	298,942	0	0
3-9.99	192	1,237,379	583,922	0	0
≥ 10	950	133,334	680,601	0	915,260
TOTAL	**1,297**	**16,317,106**	**1,583,341**	**0**	**915,260**

3.6.5 Payment terms

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 or more	Total (1 day or more)
(A) TRANCHE OF ARREARS						
Number of invoices concerned	513					632
Total amount of invoices concerned including tax	16,209	4,908	3,100	1214	437	10,352
Percentage of total 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 EXCLUDED FROM (A) INVOLVING DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	0					0
Total amount of invoices excluded including tax	0	0	0	0	0	0
(C) TERMS OF PAYMENT OF REFERENCE USED (CONTRACTUAL OR LEGAL PERIOD – ARTICLE L.441-6 OR ARTICLE L.443-1 OF THE FRENCH COMMERCIAL CODE)						
Payment deadlines used to calculate arrears					Statutory deadlines: 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	327					521
Total amount of invoices concerned including tax	19,144	2,126	587	1,032	3,755	7,835
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 EXCLUDED FROM (A) INVOLVING DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	0					0
Total amount of invoices excluded including tax	0	0	0	0	0	0
(C) TERMS OF PAYMENT OF REFERENCE USED (CONTRACTUAL OR LEGAL PERIOD – ARTICLE L.441-6 OR ARTICLE L.443-1 OF THE FRENCH COMMERCIAL CODE)						
Payment deadlines used to calculate arrears					Statutory deadlines: 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 use, for the group's banks, 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 control and the budget control services, 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 services 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 INDICES

	Name	Sources	2020	2019
Activity & outstandings				
1	New lending	Group key figures. Total new lending (approvals)	4,796	4,946
2	Customer loans		18,286	17,480
3	Customer deposits Bank deposits	Consolidated financial statements	20,463	18,545
4	Loan-to-deposit ratio Commitment ratio		88.43%	93.7%
5	Savings accounts	Group key figures. Savings – total bank deposits	20,438	18,464
6	Financial and insurance-based savings	Group key figures. Savings – insurance-based and financial – securities (excluding units)	66,102	81,567
7	o/w insurance-based savings	Group key figures. Savings – insurance-based and financial – securities (excluding units)	8,858	10,764
8	Total savings		86,540	100,081
Risks				
9	Ratio of non-performing loans		4.91%	5.17%
10	Provisions for performing loans		-108	-93
11	Overall non-performing loan coverage ratio		64.45%	64.0%
13	Overall cost of risk		-43	-22
14	Overall cost of customer risk related to the outstanding loans (expressed in % or in basis points)		0.23%	0.12%
Profitability				
15	Interest margin Net interest revenue Net interest income		385	395
16	Operating expenses General operating expenses Management expenses		-657	-731
17	Cost/income ratio	Consolidated financial statements	85.9%	89.9%

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4

RISKS AND CAPITAL ADEQUACY – PILLAR 3

The Basel agreements aim to guarantee the solvency and sound financial position of banks through rules and regulation. These agreements are currently based on three pillars, namely minimal capital requirements (Pillar 1), supervisory review of capital management (Pillar 2), and market discipline (Pillar 3).

Thus, market discipline is reflected in increased transparency in communication to investors.

As a result, the content of this pillar is subject to strict regulations, first through the Basel regulations, then when transposed into European regulations (Part 8 of EU Regulation No. 575/2013).

While each regional group at Crédit Mutuel is responsible for its publication, Pillar 3 is drafted in coordination with Confédération Nationale.

PREAMBLE: CMNE, UNITED TO ADDRESS COVID-19

2020 will remain marked by the global emergence of a new virus, which resulted in one of the worst health crises in recent history, as well as an economic recession in Western countries, unprecedented since the end of World War II.

In this context, the Crédit Mutuel Nord Europe group has been fully engaged in addressing this major crisis by supporting its most vulnerable customers. To this end, CMNE has granted moratoriums, extended payment terms, or other financing arrangements already granted, and has promoted the mechanisms put in place by governments, such as the State-Guaranteed Loan to support professionals.

CMNE has also made efforts to inform public authorities of the impact of this crisis on the economic and financial world. In practice, the feedback provided to supervisory authorities and bodies was subject to more regular reporting and required rapid adaptation of IT tools and reporting capabilities. These various reports complemented all the current obligations.

Lastly, as from the first lockdown, the group has adapted to this abrupt change in health conditions through a rapid roll-out of remote working in the departments and services where this was possible. Also, in order to guarantee continuity of services and maintain customer relations, CMNE implemented strict health protocols in branches, in order to welcome its customers and fully ensure their safety, and developed many remote services, such as the video appointments or the bank e-withdrawal.

Despite the arrival of vaccines against COVID-19, it is still too early to assess the consequences. This is why CMNE remains vigilant with regard to any deterioration in the quality of its loan portfolio, and more generally, to changes in its risks.

Nevertheless, despite this challenging situation, Crédit Mutuel Nord Europe is a financially sound group, as evidenced by the levels of equity and capital, as well as the resulting prudential ratios.

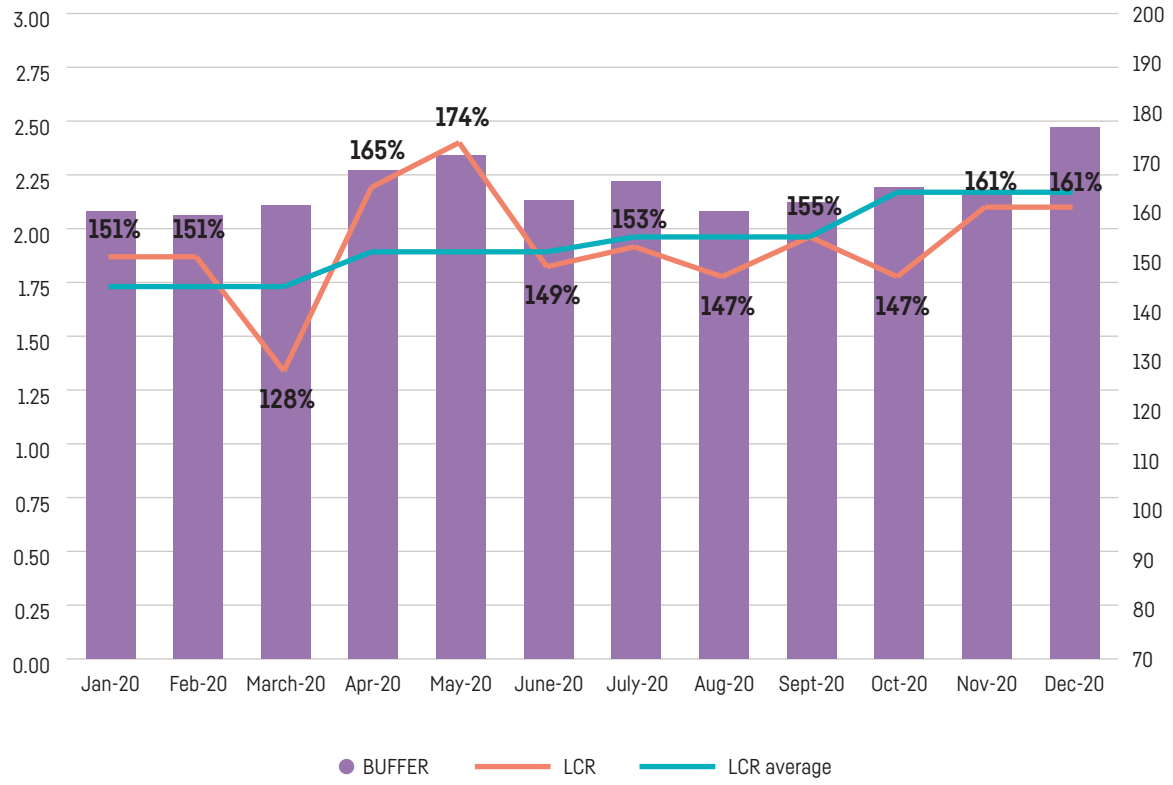
4.1 PILLAR 3 – KEY FIGURES

	12/31/2020	12/31/2019
Overall Solvency Ratio	24.53%	23.34%
Common Equity Tier 1 ratio	19.79%	18.58%
Leverage ratio	11.35%	10.80%
Medium- and short-term LCR*	164%	145%

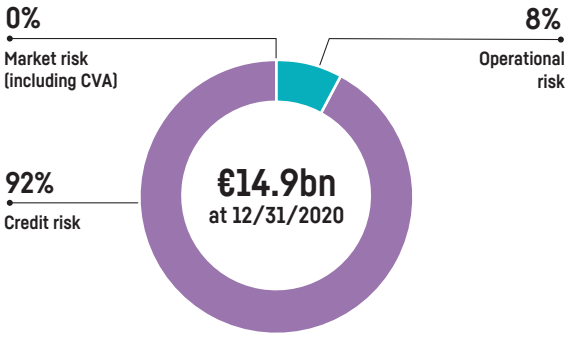
* *The average LCR is calculated based on the rolling twelve-month averages of the three LCR components.*

In € millions	12/31/2020	12/31/2019
Common Equity Tier 1 (CET1) capital	2,952	2,772
Tier 1 (T1) capital	2,982	2,817
Total capital	3,659	3,482
Total risk-weighted assets (RWAs)	14,918	14,920

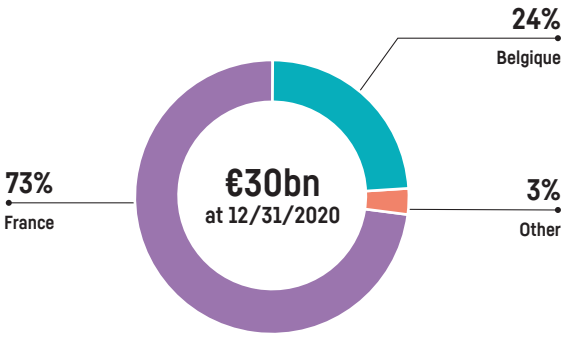
LIQUIDITY BUFFER *(€ billion)* IN 2020 AND CHANGE IN LCR RATIO



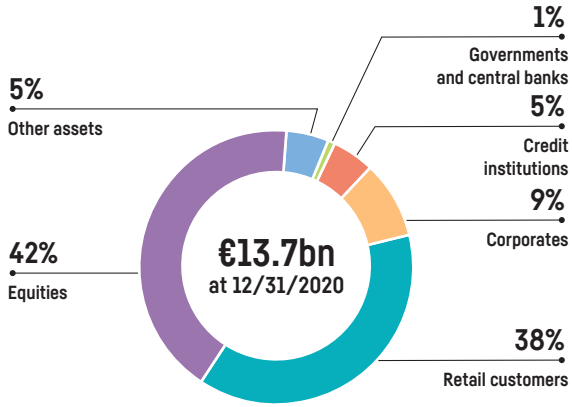
RWAS BY TYPE OF RISK



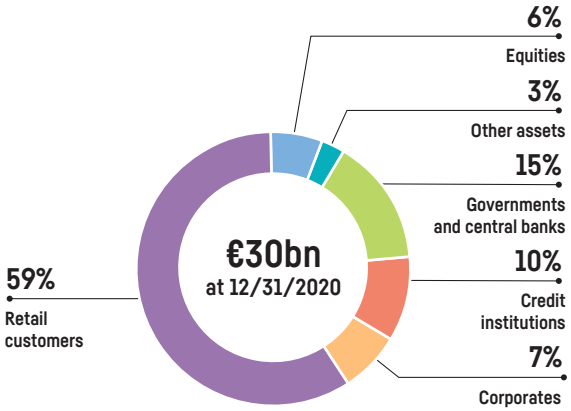
CREDIT RISK – EAD BY COUNTRY



CREDIT RISK – RWAS BY CATEGORY



CREDIT RISK – EAD BY CATEGORY



4.2 RISK APPETITE AND RISK MANAGEMENT POLICY

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

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 the CMNE group's risk management.

4.2.1 Risk management policy and procedures (Audited)

CMNE's risk management policy is based on four fundamentals:

- meet regulatory requirements in order to provide reliable quantitative and qualitative information;
- coordinate the work of networks, federal departments and subsidiaries on risk management and monitoring processes;
- support development by providing the means to identify and measure risks;
- develop a risk culture and best risk management practices.

Each year, the Federal board of directors approves the new risk appetite framework, adapted from that of the Crédit Mutuel group, applicable to the entire scope of the Crédit Mutuel Nord Europe group.

This framework:

- includes all the policies and procedures defining the prevailing fundamental principles applicable to risk-taking, as well as the description of the roles and responsibilities of the governance bodies that supervise its implementation, management and control;
- contributes 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 (escalation process);
- reflects the group's development model based on the principles of prudence, responsibility, proximity and subsidiarity;
- confirms that its commitment to quality service for member-customers is based on long-term values that promote profitable growth with limited risk-taking while consolidating the group's financial soundness, a source of security and long-term performance;
- includes control system with limits and the implementation of procedures to validate the adequacy and allocation of capital and liquidity.

The framework applicable in 2020 was approved on December 16, 2019 (for information, the framework applicable in 2021 was approved on December 14, 2020). The federal risk committee is responsible for monitoring the implementation of this risk appetite framework in the subsidiaries.

The CMNE group implements its annual risk appetite policy as part of its overall strategic plan for risk governance.

Risk appetite represents the quantitative level and types of risks that the CMNE group is prepared to accept in accordance with its strategic objectives under the Medium-Term Plan, without jeopardizing its viability while seeking an appropriate risk/return ratio, by type of risk (credit, market, liquidity, operational, profitability and solvency).

The group risk management 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;
- communicating to the supervisory body, executive management and the risk committee any information necessary for the performance of their duties;
- preparing summary statements on the monitoring of consolidated risks in order to inform the risk committee and the effective managers;
- providing all regulatory reports on risks to the supervisory bodies.

Various measures were implemented in 2020 and in previous years 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). Regular updates were also provided on the impacts and consequences of the COVID-19 crisis.

In 2020, the main such measures included:

- the health crisis, which required CNME to:
  - organize a COVID-19 crisis unit, initially once a week and then monthly, and adapt the EBCPs,
  - draw up COVID-19 data files for the ECB, these files mainly include information on moratoriums, State-guaranteed loans and market risks,
  - regular reporting to CNCM and the ECB on the various risks to which the group is exposed and on its operational management of the crisis;
- participation in the national working group "Climate risks and CSR";
- adaptation of the Major Risks Database at group level and in its implementation by entity, following changes to the decision-making information system, with the standardization of the net risk formula (group, CMNE, Beobank), the integration of a COVID-19 code, and the review of entry thresholds;
- participation in the national "Cost of risk" working group to calibrate IFRS 9 parameters and set a provision aside for sectors deemed vulnerable by the group;
- a strengthening of IT risk monitoring;
- a strengthening of GDPR monitoring at group level.

4.2.2 Risk mapping and breakdown

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 ensures 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.

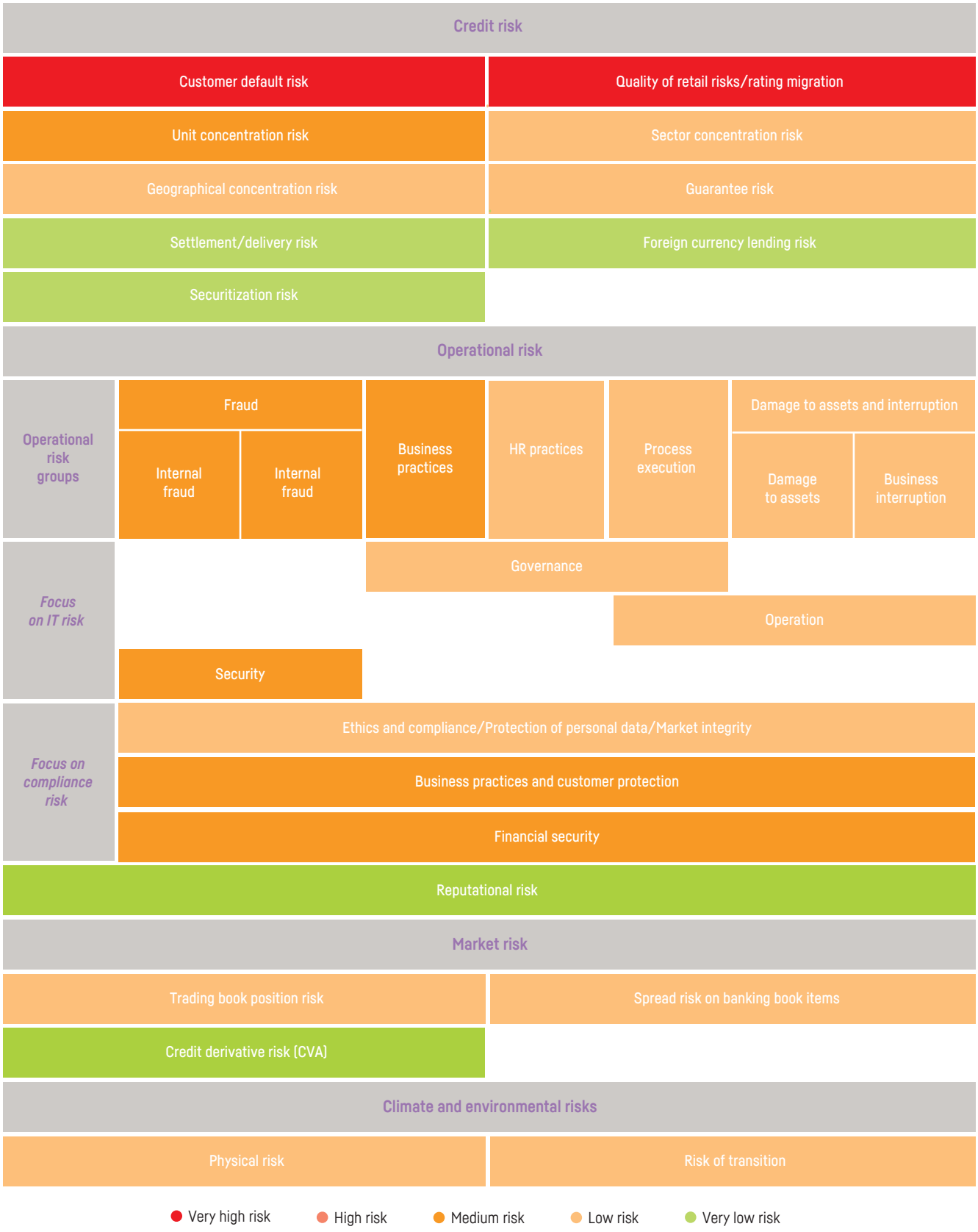
The level of an actual risk comes from its probability of occurrence (or frequency) and its presumed/measured impact (or potential severity). In total, the intersection of frequency and severity can be broken down into a five-level scale to classify actual risk as of the date of the map update:

- 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 2020, the following changes have been made:

- **Credit risk:**
  - "Customer default risk" and "Quality of retail risk/change in credit rating" are upgraded to level 1 (very high),
  - the heading "Concentration related to the Retail guarantee policy" is now "Risks associated with guarantees";
- **Operational risk**: distinction between operational risk families, with a focus on IT risk and non-compliance risk;
- **Insurance risk**: this risk was grouped with investment risk in 2019, it is accounted for separately this year in the risk map;
- **Investment risk (excluding insurance)**: this risk no longer includes insurance risk in 2020;
- **Climate and environmental risk**: this risk is included in the 2020 map;
- **Strategic risk and business risk**: regulatory risk is now cross-functional with regard to profitability and overall solvency.

4.2.2.1. Crédit Mutuel Nord Europe risk map



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
Insurance risk	
Profitability risk	Solvency risk
Equity investment risk in insurance companies	
Equity investment risk (excluding insurance)	
Equities & Private Equity (banking book)	Step-in risk
Other equity investments	
Strategic risk and business risk	
Profitability	*Overall solvency*
Business risk	Amount of capital
Diversification of revenue sources	Composition of capital
Controlling the cost of risk	Location
Regulatory risk	

4.2.2.2. The various risks of Crédit Mutuel Nord Europe

Credit risk

Credit risk is the risk incurred by the bank in the event of non-performance of the borrower's commitments according to contractual terms. This is naturally the main risk to which the CMNE group is exposed, due to its business model, which is essentially focused on the development of retail banking.

The credit policy is aimed at prudent growth. It determines the markets and types of financing in which the CMNE group network can operate. It sets the lending criteria by type of customer or product, based mainly on the solvency of borrowers, and specifically stipulates any restrictions on the granting of loans, either through the general policy or through specific sectoral policies adapted at group level.

Operational risk

Crédit Mutuel Nord Europe and the Crédit Mutuel Nord Europe group have an operational risk management process that is reliable and comprehensive, both in terms of the scope covered and the level of risk concerned.

Operational risk is defined as the risk of losses resulting from the inadequacy or failure of an entity's processes, personnel or internal systems, or from external events including events whose occurrence is unlikely but whose impact would be result in significant losses.

Operational risk, thus defined, includes legal and reputational risks, but excludes strategic risks.

Among all operational risks, CMNE group is exposed, in particular, to two "sub-risks": non-compliance risk and IT risk.

Initially defended by the Basel Committee, then confirmed by the Order of November 3, 2014, on internal control of banking sector, payment and investment service companies subject to ACPR supervision defines non-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.

Accordingly, non-compliance risk is different to the counterparty legal dispute risk since it is not aimed at determining the liability of the entity concerned in respect of its contractual obligations but the significant consequences resulting from non-compliance with the rules, mainly relating to public order.

IT risk is divided into 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;
- Operation: 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.

A good reputation can encourage customers to choose a brand or company, or dissuade them from turning to a competitor. Reputational risk is the risk of a negative perception resulting in a loss of trust that changes the behavior of the various partners (customers, investors, suppliers, employees, regulators, etc.) towards the bank. This risk is often non-quantifiable and stems from internal or external events (external fraud, fraudulent practices, lack of advice, non-compliance with regulations, etc.). CMNE believes that reputational risk is the result of other risks (credit, operational, etc.): accordingly, the group manages this risk through other risks.

Market risk

Market risk is the risk of loss that may result from fluctuations in the prices of financial instruments included in a portfolio.

Within the CMNE group, Caisse Fédérale du CMNE is involved in capital market activities for all of the group's banking and financial entities.

Climate and environmental risk

Climate change can induce physical risks, *i.e.* exposure to material damage caused by weather and climate phenomena, and transition risks, *i.e.* exposure to poorly anticipated or brutal adjustments in transitioning to a low-carbon economy. These risks may have a material financial impact on financial institutions.

Physical risk relates to the direct impact of climate change on people and property. Such risk is relatively low for CMNE, since it is located in areas deemed not to be exposed to natural disasters. Changes in average weather conditions and the increase in the number of natural disasters in the coming years may deteriorate the financial health of companies, due to a drop in demand or an interruption of the supply chain, or a decline in productivity and production. CMNE is therefore indirectly concerned, thereby generating a certain cost in insurance and increasing the risk of customer default.

The transition risk is linked to the implementation of energy policies or technological changes. Companies in carbon-intensive or sensitive sectors (fossil fuels, electricity or gas) are particularly exposed. To mitigate this risk, CMNE has implemented sectoral policies which lay down rules for financing and investments in these areas.

Interest rate risk

Interest rate risk results in the change in a bank's income when interest rates rise or fall, or when there is an unfavorable change in the form or structure of interest rates. As the value of an institution is directly related to its earnings, changes in interest rates also mean changes in its asset value with an impact on the equilibrium of on- and off-balance sheet items.

At CMNE, the management of interest rate risk is the responsibility of the finance department, which ensures that the statement of financial position in well balanced, through adjustments to the commercial policy or capital market transactions.

Liquidity risk

Liquidity risk is a major risk that is not necessarily related to the short-term profitability strategy.

The Basel Committee defines liquidity as "the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses" (Basel Committee, 2008).

Accordingly, liquidity risk is the risk of not being able to cover the bank's liquidity requirements, irrespective of the cost. It can also be defined by the potential impossibility of meeting obligations that have come due or finding the funds necessary for financing customer demand. In a less extreme situation, liquidity risk can be measured by the additional cost that the bank would have to incur to cover a liquidity obligation in an illiquid market.

Insurance risk

This is the investment risk relating to insurance.

In 2018, the CMNE group's insurance holding company, NEA (which mainly included ACMN Vie, a life insurance subsidiary, and ACMN IARD, a non-life and casualty insurance subsidiary) was merged with and then absorbed by Groupe des Assurances du Crédit Mutuel SA ("GACM").

Due to exchange ratio used for the merger between NEA and GACM, CMNE group owns 10.22% of GACM (*i.e.* €1,188 million at December 31, 2020).

CMNE is therefore exposed to the investment-insurance risk of GACM, which is accounted for under the equity method in its financial statements.

Investment risk (excluding insurance)

Investment risk, as defined in the overall risk map of the CMNE group covers:

- private equity risk;
- equity portfolio risk of the banking book (excluding the private equity portfolio);
- step-in-risk.

Strategic risk and business-specific risk (profitability, overall solvency)

Profitability risk arises when factors that are internal or external to the bank's operations reduce its operating profitability. Balance sheet and income statement items are often used to monitor profitability trends.

For this risk, CMNE group targets a minimum profitability level, which would not be detrimental to the quality of the risks incurred. The group seeks long-term profitability by managing the changes in its assets over time and their risk quality, and through the diversification of its business lines.

The overall solvency risk consists of the risk of insufficient capital required to absorb any losses suffered by the bank. This risk results not only from insufficient capital but also from various risks incurred by the bank such as credit, market, interest rate risks, etc., the occurrence of which could have an effect on equity. The bank's exposure to this type of risk can jeopardize its business, hence the objective sought by supervisors and financial institutions, which is to adjust capital to the risks incurred.

The Crédit Mutuel Nord Europe group manages its solvency risk through a low appetite for risks, the quality of its risk management system and the conditions governing changes in shareholders' equity. In terms of solvency, the group seeks to meet regulatory requirements by ensuring a sufficient safety margin to deal with adverse scenarios.

4.2.3 Structure and organization of the risk management function (Audited)

In accordance with Article L.511-55 of the French Monetary and Financial Code, the Crédit Mutuel group has a robust risk governance system including a clear organization ensuring a well-defined, transparent and consistent division of responsibilities, effective procedures for identifying, managing, monitoring and reporting risks to which it is or may be exposed, so as to promote sound and effective risk management.

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 "Models and Data" and "Analyses and Parameters" units are responsible 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 data quality system (BCBS 239) is under the responsibility of the "Models and Data" unit.

At the beginning of 2020, CNCM's Executive Management decided to include the "CSR and climate risk management" function in the risk department. The division is responsible for monitoring and managing climate and CSR risks, coordinating and co-designing and implementing regulations and standards, making any adjustments to tools and governance; the establishment of a monitoring, expertise and innovation division to serve the CNCM business lines and regional groups is also within its remit.

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. It coordinates the drafting of risk maps and quantification work. This unit is responsible for the coordination and roll-out of the Advanced Measurement Approach (AMA). It is also responsible for monitoring IT risk.

The risk control unit focuses mainly on the coordination of national projects under the responsibility of the confederal risk department and coordination work in connection with the risk division. It is therefore directly involved in the organization and development of the Crédit Mutuel group, in particular for risk mapping, risk appetite procedures and the ICAAP.

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.

The "Recovery and Resolution" unit organizes the implementation and coordination of projects relating to the single resolution mechanism and is responsible for coordinating the Preventive Recovery Plan.

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:

- the definition of a shared permanent control framework covering, in a risk-level based approach, all types of risks identified in the risk map when these are common to several groups (credit risk, interest rate, liquidity, operational, strategic and business-specific risks, etc.);
- permanent control on 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 management department, which have both a direct operating responsibility within the French Bankinsurance 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 control bodies of Caisse Fédérale and its subsidiaries totaled 148, *i.e.* around 3.6% of the CMNE group's total workforce was involved in risk monitoring and control.

The group risk management 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 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;
- strengthen risk management and regulatory compliance through information system security programs. These mechanisms ensure the security of information systems, dealing in particular with 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;
- the management of protection of personal data through the implementation of 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 assessed 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;

- the strengthening of IT risk management. General and operational policies and procedures such as the risk management plan, which is reviewed annually according to the evolution of threats, intrusion tests and regular awareness-raising among employees, contribute to reducing these risks;
- the coordination of the implementation of the Emergency and Business Continuity Plan (EBCP). The EBCP covers protection actions set up by the company to limit the severity of a disaster. It describes the actions to be taken to ensure the continuity of key business processes and the appropriate measures to be implemented in the event of a disaster. It addresses the following three risk scenarios: lack of human resources, unavailability of premises, downtime in IT and telecommunications resources;
- the coordination of the crisis management procedure by drafting a policy for managing a major crisis and a procedure describing, in particular, the composition of the crisis unit, the responsibilities of each member and communication with support functions and outside the company (local authorities, press, partners, service providers, etc.).

Fraud and Special Matters structure

The Fraud and Special Affairs structure is made up of four employees and reports to the group risk department in order to adopt a harmonized organizational chart that meets 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 work, it conducts training and information sessions for both individuals and professionals. It also deals with cases of internal malfunctions and special matters. This structure is also responsible for managing numerous projects on behalf of CMNE, with the aim of improving responsiveness in terms of identification: the automation of certain controls and the triggering of specific fraud alerts on this central structure. In addition to the effective implementation of verifications of identity documents when entering into a new relationship, the system for combating external fraud, through the organization of different community projects, was strengthened, with a strong focus on the "Identification" component. Such projects are underway and include:

- the implementation of interfederal fraud risk;
- the implementation of a check scoring system based on customer habits;
- the development of a transfer scoring;
- the development of an interface between CCM and business line experts to facilitate the exchange of information and reinforce business oversight;
- fraud scoring when entering into a new relationship.

In this context, reports to the Fraud and Special Affairs structure resulted in the opening of 1,433 cases in the Fraud Prevention database (community management tool), *i.e.* a 51% increase in cases compared to the previous year (mainly attributable to an increase in phishing and undue influence cases).

The compliance control department

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 conduct, 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.

In this respect, the group's compliance system is organized in accordance with General Decision No. 2-2017, approved by the board of directors of CNCM in order to define and establish the scope of intervention of the compliance functions at confederal and regional level, and which stipulates that the prevention of non-compliance risks within the group includes the following areas:

- financial security (anti-money laundering and counter-terrorist financing, compliance with embargos);
- business practices and customer protection (including personal data protection);
- professional conduct, ethics, the fight against corruption and the prevention of conflicts of interest;
- and market integrity.

Financial Security – Anti-Money Laundering Structure

Also within the group compliance department, 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 French Bankinsurance, Belgian Bankinsurance and third-party management divisions, the risk approach excludes light risk (Article R.561-15-1), except in the case of the leasing activities. This means that the first level of risk is 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 mapping.

Measures to constantly improve the AML-CTF system continued in 2020 with the introduction of a decision-making tool for entering into new relationships with CFCMNE, the completion of the whistleblowing system of the third-party management division and the identification in the information systems of beneficial owners in the leasing subsidiaries.

The permanent control department

Reporting to the group risk department, the 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 light of the crisis, several controls were adapted or implemented in 2020, notably in the area of loans (granting of SGLs, management of moratoriums, processing of debtors).

The department is also involved in the development of the shared framework for permanent control, which is currently being implemented at country level.

Periodic control

Group Inspection & Audit Control, 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 French Bankinsurance sales network;
- the audit of the central departments and business lines of CFCMNE and the subsidiaries;
- the certification of the local banks' annual financial statements.

In 2020, the group Audit Control Inspection unit conducted:

- 34 audit assignments (32 for local banks, two conducted at Business Advice Spaces);
- four audit assignments on structures or processes in collaboration with the French Bankinsurance network;
- the certification of the 2019 annual financial statements of 141 local banks;
- 26 business line audit assignments.

As regards Beobank, its internal audit department, whose manager reports to CMNE's General Inspector, carried out 117 inspections of branches and delegated agents, and nine business line audit assignments.

To ensure the management of CMNE's risks, two committees are responsible for risk monitoring and oversight, namely the audit committee and the risk committee.

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 Inspection & Audit Control and proposing periodic control policies for the group as a whole;
- arranging for the reports drawn up by the group Inspection & Audit Control to be submitted to the committee, approving their findings and verifying that their recommendations have been implemented;
- monitoring 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 annual and consolidated financial statements.

The risk committee

Chaired by a director, there are four other federal directors on the audit 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. This 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 board of directors and are governed by specific internal regulations.

In connection with the CMNE group's governance, the group 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 Order of November 3, 2014 on the internal control of banking sector companies, payment services and investment services, and the complementary surveillance of financial conglomerates.

4.2.4 Scope and nature of risk reporting and measurement systems (Audited)

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.

4.2.5 The group's risk profile (Audited)

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 19.79% at the end of 2020 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).

4.2.6 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, interest rate, 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 while seeking an appropriate risk/return ratio. It is applied and formalized at the level of each of the divisions (French Bankinsurance division, Belgian Bankinsurance 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 board of directors:

- the risk appetite;
- the 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.

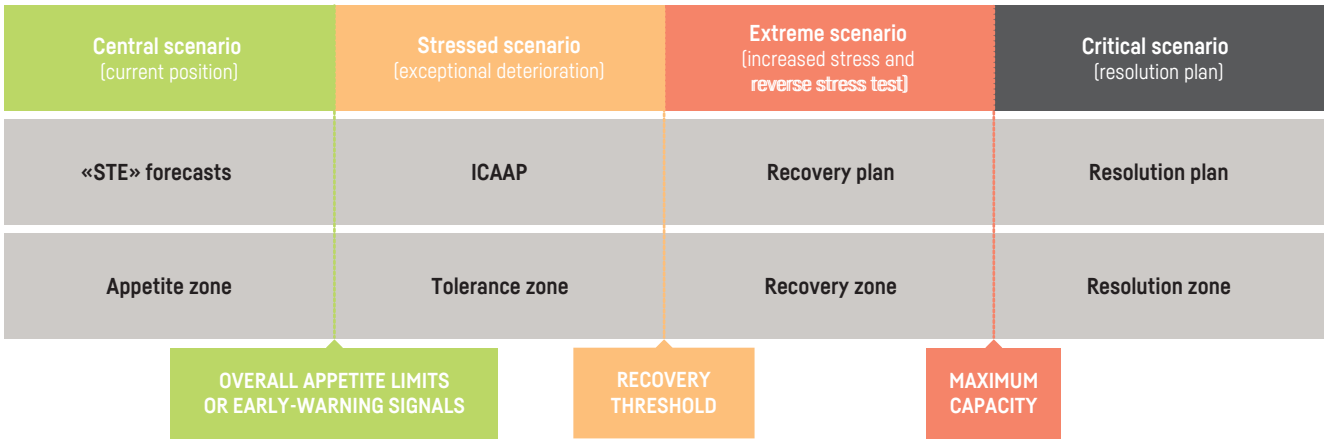
On the assumption that the process is based on a framework of key indicators by type of risk, and the need to adopt a graduated approach, the following three risk areas have been identified:

- 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 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 failure to recover.

The system is structured as follows:

Scenarios graduated on the basis of an increasing risk level



This approach clearly demonstrates the leeway granted by the supervisory bodies to Executive Management to ensure the CMNE group's development, whilst distinguishing:

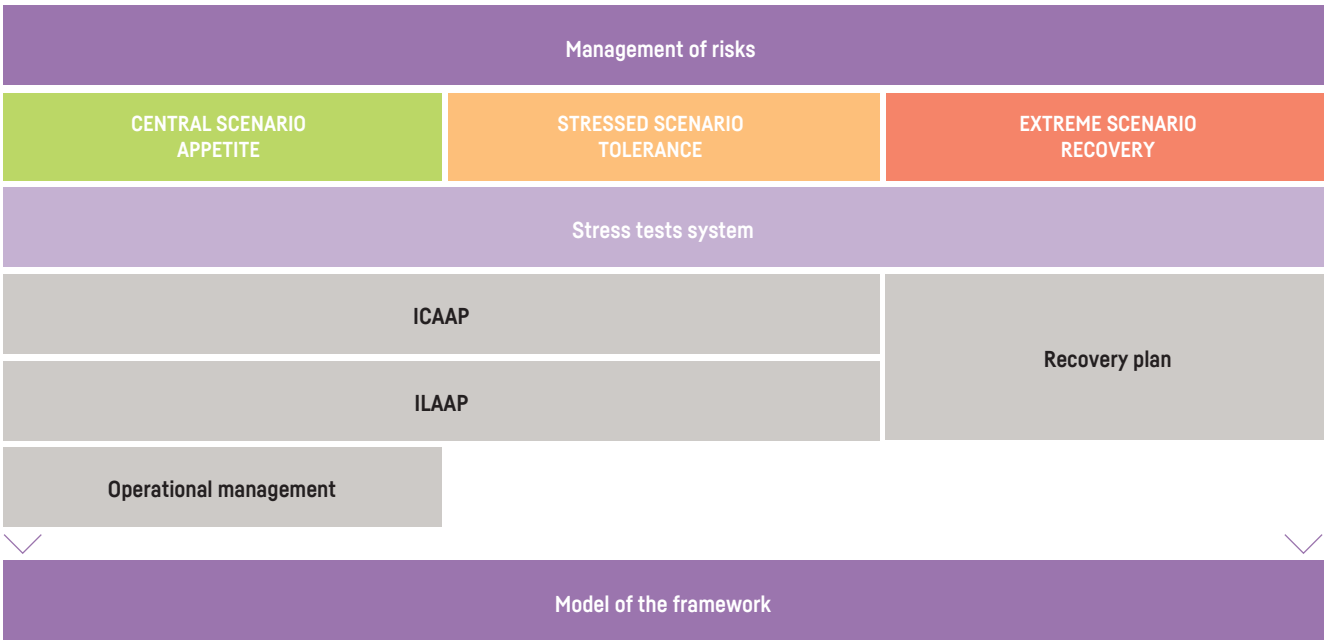
- the purview of day-to-day operations (green zone): within this zone, the operational limits and management objectives are set;
- from the purview of a risk zone that can be tolerated (amber zone) but which exceeds the CMNE group's risk appetite, which must be defined in accordance with the prudence 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:

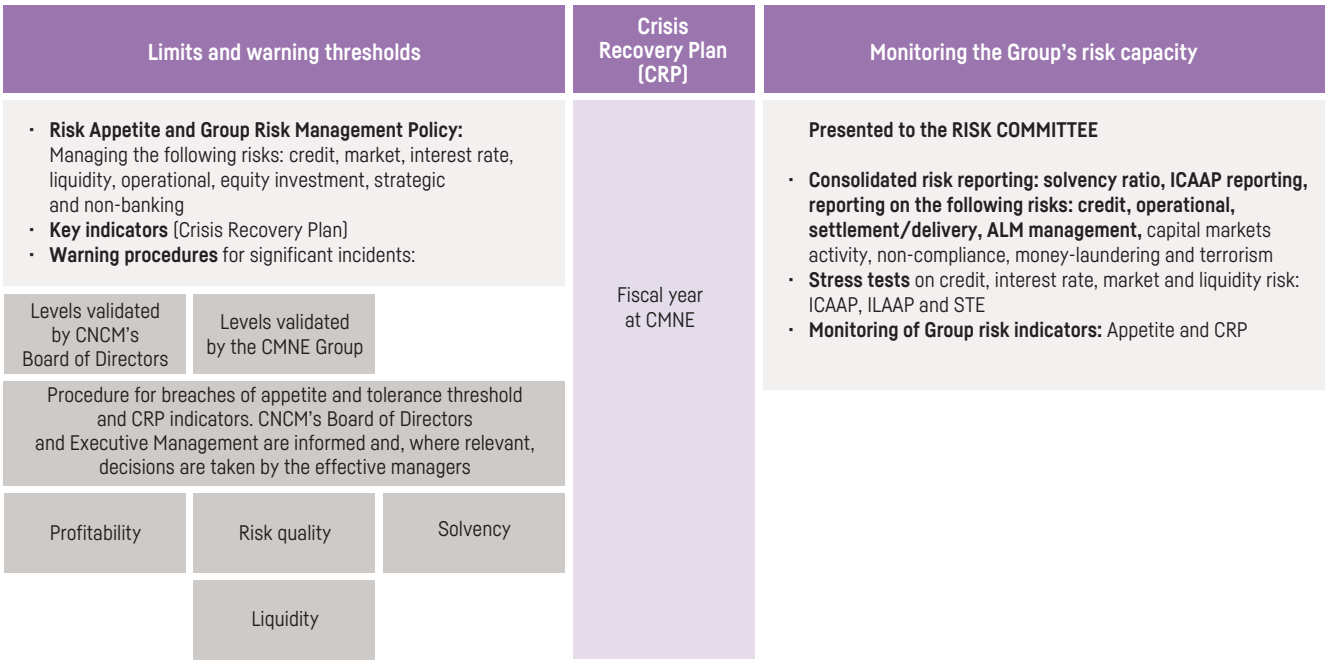
T1	• The ICAAP approach, aimed at ensuring the group has sufficient capital to cope with a stress situation, with a forward-looking vision over three years • The ILAAP approach, involving assessing the adequacy of the group's refinancing profile on the basis of its development model, its requirements 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:



T2 – Consolidated risk monitoring



4.2.7 Stress tests

Stress tests, are an integral part of the group's risk management system. They consist in simulating severe but plausible forward-looking scenarios (economic, financial, political, regulatory) in order to measure the bank's resilience.

In line with its risk map, the Crédit Mutuel group has designed a graduated stress program, which includes:

- stress tests specific to each type of risk, such as interest rate stress tests, which measure the sensitivity of indicators such as the group's NBI based on yield curve shift scenarios or market stress tests based on historical or hypothetical scenarios for the capital market activities of all Crédit Mutuel groups;
- ICAAP stress tests to ensure that the capital and liquidity resources of the group and the regional sub-groups are sufficient with regard to the risks incurred, over a period of three years. These stress tests are based on plausible scenarios, consistent with the group's major risks, based on macro-economic and forward-looking events.

The stress tests of the Recovery Plan, which are extreme and hypothetical, enable to estimate to what extent the group, if applicable, would be affected by a recovery situation.

Reverse stress tests aim to show the group's distance to recovery, or its ability to incur risks. The group's ability to incur risks is defined as the maximum level of risk that it can assume given its amount of capital surplus in relation to regulatory capital and liquidity requirements, its operating environment (quality of financial information systems, ability to monitor and manage risks, level of expertise of teams) and its commitments to depositors, policyholders, members/shareholders, creditors, customers and stakeholders.

COVID-19 pandemic scenario

The COVID-19 crisis has made the adverse scenarios envisaged by GCM in the 2019 ICAAP campaign obsolete. In response to this economic and health crisis, Crédit Mutuel group has developed an adverse pandemic scenario for the ICAAP affecting the following risk factors:

- credit risk: deterioration of the macroeconomic situation, with a direct impact on credit quality;
- market risk: financial market dislocation;
- interest rate risk: low interest rate environment.

The scenario would be:

- A decrease in key rates and interbank interest rates: central banks will be obliged to further ease their monetary policy. All of them will sharply increase their asset purchases, which will cause interest rates to plummet;
- Increased credit risk: the effects of the 2020 crisis begin to be felt in 2021 and the new lockdown makes the situation even worse;
- Equity index shocks and credit spreads: temporary impact in the first quarter of 2021 when a lockdown is announced, part of the shock is absorbed at the end of 2021 (Corporate credit spreads remain high and the equity indexes remain at low levels: the average CAC level observed in 2020 under the central scenario only recovers in 2022 under the stressed situation).

Stress tests on market activities

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 25% 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 (excluding COVID-19) at income statement level were:

- in terms of historical stress tests, the scenarios concerning September 11 and Black Monday, with impacts of €14 million and €22 million respectively;
- in terms of hypothetical stress tests, the scenario concerning the fall in European equities, with an impact of €19 million.

As regards the potential impact on capital, that varies between +€1 million and -€12 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.

A COVID-19 stress was included as of December 31, 2020, in order to monitor the impacts of a potential new crisis of the same magnitude. The impact on profit is €26 million and €13 million on equity.

4.3 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 subject to different consolidation methods.

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.

TABLE 1: DIFFERENCES BETWEEN THE ACCOUNTING CONSOLIDATION AND PRUDENTIAL CONSOLIDATION SCOPES – (LI3) AT 12/31/2020

At 12/31/2020, no company was treated differently between accounting and prudential scopes.

TABLE 2: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY CONSOLIDATION SCOPES AND MATCHING OF ITEMS IN THE FINANCIAL STATEMENTS TO THE REGULATORY RISK CATEGORIES – (LI1) – AT 12/31/2020

	a	b	c	d	e	f	g
	Carrying amounts						
In € millions	as per the published financial statements	in the regulatory consolidation scope	of items subject to the credit risk framework	of items subject to the counterparty 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	1,059	1,059	1,059	-	-	-	-
Financial assets at fair value through profit of loss	1,044	1,044	944	100	-	-	-
Hedging derivatives – Assets	3	3	-	3	-	-	-
Financial assets at fair value through other comprehensive income (OCI)	1,870	1,870	1,870	-	-	-	-
Securities at amortized cost	44	44	-	-	-	-	-
Loans and receivables due from credit institutions at amortized cost	3,936	3,936	3,802	133	-	-	-
Loans and receivables due from customers at amortized cost	18,095	18,095	17,985	2	-	-	152
Remeasurement adjustment on interest-rate risk hedged portfolios	63	63	-	-	-	-	63
Investments by the insurance businesses and reinsurers' share of technical reserves	-	-	-	-	-	-	-
Current tax assets	81	81	81	-	-	-	-
Deferred tax assets	51	51	51	-	-	-	-
Accruals and other assets	371	371	371	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
Deferred profit sharing	-	-	-	-	-	-	-
Investments in associates	1,522	1,522	1,243	-	-	-	279
Investment property	217	217	217	-	-	-	-
Property, equipment and finance leases as lessee	233	233	233	-	-	-	-
Intangible assets	34	34	-1	-	-	-	35
Goodwill	200	200	-	-	-	-	200
TOTAL ASSETS	**28,823**	**28,823**	**27,855**	**239**	**-**	**-**	**730**

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In € millions	a	b	c	d	e	f	g
	Carrying amounts						
	as per the published financial statements	in the regulatory consolidation scope	of items subject to the credit risk framework	of items subject to the counterparty 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	155	155	-	102	-	-	53
Hedging derivatives – Liabilities	53	53	-	53	-	-	-
Due to credit institutions	863	863	-	58	-	-	805
Due to customers	20,463	20,463	-	10	-	-	20,453
Debt securities	2,033	2,033	-	-	-	-	2,033
Remeasurement adjustment on interest-rate risk hedged portfolios	-	-	-	-	-	-	-
Current tax liabilities	27	27	-	-	-	-	27
Deferred tax liabilities	15	15	15	-	-	-	-
Accruals and other liabilities	681	681	-	-	-	-	681
Liabilities associated with assets held for sale	-	-	-	-	-	-	-
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	148	148	-	-	-	-	148
Subordinated debt issued by the banks	822	822	-	-	-	-	822
Shareholders' equity	3,562	3,562	-	-	-	-	3,562
Shareholders' equity attributable to the group	3,519	3,519	-	-	-	-	3,519
Share capital and premiums	1,411	1,411	-	-	-	-	1,411
Consolidated reserves – group	1,781	1,781	-	-	-	-	1,781
Unrealized gains and losses recognized in equity – group	164	164	-	-	-	-	164
Net profit/(loss) – group	163	163	-	-	-	-	163
Shareholders' equity – Non-controlling interests	43	43	-	-	-	-	43
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**28,823**	**28,823**	**15**	**223**	**-**	**-**	**28,585**

TABLE 3: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING AMOUNTS IN THE FINANCIAL STATEMENTS (LI2) – AT 12/31/2020

		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)*	*28,093*	*27,855*	*239*	-	-
2	*Carrying amount of liabilities in the regulatory consolidation scope (as per table LI1)*	*238*	*15*	*223*	-	-
3	Total net assets in the regulatory consolidation scope	27,855	27,839	16	-	-
4	Off-balance sheet commitments	3,324	3,324		-	
	Measurement adjustment on off-balance sheet commitments	-1,981	-1,981		-	
5	Measurement adjustments	83		83		
6	Adjustments resulting from different netting rules, other than those already recorded on line 2	2		2		-
7	Adjustments resulting from the recognition of provisions	200	200		-	
8	Adjustments resulting from prudential filters	-	-			
9	Other	64	64		-	
10	Regulatory value of exposures	29,547	29,446	101	-	-

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4.4 EQUITY

4.4.1 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 amount of B and F shares eligible for CET1 at December 31, 2020 exceeded the upper limit set at 20% of their outstandings at December 31, 2012; this excess amount came to €5.7 million, exclusively for F shares which are excluded from equity.

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%. 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.

Due to the health crisis, the ECB has asked institutions to apply the measures provided for by the CRD 5. The P2R requirement is thus broken down across all capital levels (*i.e.* up to 56% of CET1, 19% AT1 and 25% T2). The rate of 6.25% has therefore been revised to 5.48% as from the closing date of 09/2020.

To the Tier 1 capital adequacy requirement must be added the 2.50% conservation buffer, as such ratio is defined in the CRD 4 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 No. 90-02).

Other CET1 adjustments mainly concern:

- forecasts of dividend payments to shareholders;
- the deduction of 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 AT1 capital instruments

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, 2020, the amount eligible as AT1 capital was 20% of the nominal value of the deeply subordinated notes, *i.e.* €30 million. As of January 1, 2022 and the end of the transitional measures, these deeply subordinated notes in the amount of €150 million will no longer be eligible as capital.

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 concept is used to calculate large exposure thresholds and non-financial investments weighted at 1,250%. This 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 12/31/2020

In € millions	Accounting consolidation	Prudential consolidation	Variance
Shareholders' equity	3,562	3,562	
Shareholders' equity attributable to owners of the parent – excl. OCI	**3,355**	**3,355**	
Subscribed capital and issue premiums	1,411	1,411	-
Consolidated reserves – attributable to owners of the parent	1,781	1,781	-
Consolidated net profit – attributable to owners of the parent	163	163	-
Shareholders' equity attributable to non-controlling interests – excl. OCI	**43**	**43**	
Consolidated reserves – Non-controlling interests	39	39	-
Consolidated net profit – Non-controlling interests	4	4	-
Unrealized gains or losses attributable to owners of the parent	**164**	**164**	**-**
of which equity instruments	*75*	*75*	-
of which debt instruments	*117*	*117*	-
of which cash flow hedges	*-10*	*-10*	-
Unrealized gains or losses attributable to non-controlling interests	**-**	**-**	**-**
Other balance sheet items			
Intangible assets	34	34	-
Goodwill (incl. in the value of equity-accounted investments)	480	480	-
Deferred tax			
- Assets	51	51	-
of which deferred tax assets on tax loss carryforwards	-	-	-
- Liabilities	15	15	-
of which deferred tax liabilities on intangible assets	-	-	-
Subordinated debt	822	822	-

	In € millions	CET1	AT1	T2
	Capital	2,952	30	677
1	**Capital attributable to owners of the parent**	**3,328**		
	Paid-in capital and issue premiums*	1,399		
	Prior retained earnings	1,781		
	Gain or loss (attributable to owners of the parent)	163		
	(-) Share of interim profits or ineligible closing-date profits	-15		
2	**Capital – non-controlling interests**	**-**	**-**	**-**
	Qualifying non-controlling interests*	-	-	-
3	**Unrealized gains or losses attributable to owners of the parent**	**164**		**-**
	*of which equity instruments**	*3*		-
	*of which debt**	*20*		
	of which cash flow hedge reserves	*-10*		
	Other balance sheet items included in the capital calculation	**-541**	**30**	**677**
4	● Gross amount of other intangible assets including deferred tax liabilities on intangible assets (a-b)	-34		
	● Goodwill on intangible assets	-480		
5	● Deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated tax liabilities	-		
6	Subordinated debt*		30	763
	Deductions and prudential filters (see following table)	-27	-	-85

* Existence of transitional provisions

	CET1	AT1	T2
Deductions and prudential filters	**-27**	**-**	**-85**
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 level of capital	-	-	-
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			6
Credit risk adjustments (standardized approach)			60
Prudential filter: cash flow hedge reserves	10		
Prudential filter: value adjustments due to requirements for prudent valuation	-5		
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 special treatment under European regulations;
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 12/31/2020

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)*	43.08	1,256.94	75.93	20.34
9	Nominal value of instrument	43.08	1,256.94	75.93	20.34
9a	Issue price	43.08	1,256.94	75.93	20.34
9b	Redemption price	43.08	1,256.94	75.93	20.34
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 *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) pursuant to its powers under Article. L.613-31-16 *et seq.* 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 20%, 80% 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 €120m classified as Tier 2 capital
9	**Nominal value of instrument**	€150,000,000
9a	**Issue price**	€150,000,000
9b	**Redemption price**	€133,969,500
10	**Accounting classification**	Liabilities – Amortized cost
11	**Initial issue date**	18/11/2004
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 11/18/2014
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)*	3.3	4.8	8.7	1.4	2.2
9	Nominal value of instrument	3.3	4.8	8.7	1.4	2.2
9a	Issue price	3.3	4.8	8.7	1.4	2.2
9b	Redemption price	3.3	4.8	8.7	1.4	2.2
10	Accounting classification	Liabilities – Amortized cost				
11	Initial issue date	04/10/2014	06/03/2014	08/06/2014	07/29/2014	09/03/2014
12	Perpetual or dated	Dated				
13	● Original maturity date	04/10/2024	06/03/2024	08/06/2024	07/29/2024	09/03/2024
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 years	3.15% then Min 6%; Max 3.15%; CMS 10 years	3.10% then Min 5%; Max 3.10%; CMS 10 years	130%* CMS 10 years	3.10% then Min 5%; Max 3.10%; CMS 10 years
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										
Regu11latory treatment										
Tier 2 capital										
Tier 2 capital										
Solo and (sub-)consolidated										
Subordinated instrument (Article 63 of the CRR)										
3.8	2.65	3.13	120	55	18.7	2.55	40	26.53	50	300
3.8	2.65	3.13	120	55	18.7	2.55	40	26.53	50	300
3.8	2.65	3.13	120	55	18.7	2.55	40	26.53	50	300
3.8	2.65	3.13	120	55	18.7	2.55	40	26.53	50	300
Liabilities – Amortized cost										
10/15/2014	10/15/2014	11/28/2014	03/10/2014	12/22/2014	04/02/2015	04/02/2015	04/27/2015	06/01/2015	12/23/2015	09/12/2016
Dated										
10/15/2024	10/15/2024	11/28/2024	06/27/2026	12/22/2026	04/02/2025	04/02/2025	04/27/2027	06/02/2025	12/23/2030	09/12/2026
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 years	3% then Min 4.5%; Max 3%; CMS 10 years	2.6% then Min 4%; Max 2.6%; CMS 10 years	4.25%	3.40%	1.9% then Min 3.75%; Max 1.9%; CMS 10 years	1.9% then Min 3.75%; Max 1.8%; CMS 10 years	2.75%	1.35% then Min 3.10%; Max 1.35%; CMS 10 years	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										

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TABLE 6: DETAILED INFORMATION ON CAPITAL – AT 12/31/2020

	In € millions	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 Regulation EU No. 575/2013
	COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES			
1	Capital instruments and related issue premium accounts	1,303	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Shares	*1,300*	*EBA list 26 (3)*	
	of which: Issue premiums	*3*	*EBA list 26 (3)*	
2	Retained earnings	1,781	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	164	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	96	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	148	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,493		
	COMMON EQUITY TIER 1 (CET1) CAPITAL: REGULATORY ADJUSTMENTS			
7	Additional value corrections (negative amount)	-5	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	-514	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	33 a	
12	Negative amounts resulting from the calculation of expected losses	-32	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 capital (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 Regulation EU 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	-541		
29	Common Equity Tier 1 (CET1) capital	2,952		
ADDITIONAL TIER 1 (AT1) CAPITAL: 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	30	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	30		
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)	-	56 c, 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 capital (negative amount)	-	56 e	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-		
44	Additional Tier 1 (AT1) capital	30		
45	Tier 1 capital (T1 = CET1+AT1)	2,982		

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In € millions		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 Regulation EU No. 575/2013
ADDITIONAL TIER 2 (T2) CAPITAL: INSTRUMENTS AND PROVISIONS				
46	Capital instruments and related issue premium accounts	793	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	66	62 c and d	
51	**Tier 2 (T2) capital before regulatory adjustments**	**859**		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 b (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) (negative amount)	-	66 c, 69, 70, 79, 477 (4)	-
54a	*of which new holdings not subject to transitional arrangements*	-		-
54b	*of which holdings existing before January 1, 2013, and subject to transitional arrangements*	-		-
55	Direct holdings 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)	-152	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)	-30		
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	
Add	*of which subsidies received by leasing companies*	-	*481*	
Add	*of which unrealized gains on equity instruments reported as additional capital*	-	*481*	
Add	*of which restatement for holding of capital instruments*	-	*481*	
57	Total regulatory adjustments to Tier 2 (T2) capital	-182		
58	Tier 2 (T2) capital	677		
59	Total capital (TC = T1 + T2)	3,659		
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	14,918		

	In € millions	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 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)	19.79%	92 (2) a, 465	
62	Tier 1 capital (as a percentage of the total amount of risk exposure)	19.99%	92 (2) b, 465	
63	Total capital (as a percentage of the total amount of risk exposure)	24.53%	92 (2) c	
64	Buffer requirement specific to institution (CET1 requirement in accordance with Article 92 (1) (a)), plus capital 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	2.50%	CRD 128, 129, 130	
65	*of which: capital conservation buffer requirement*	*2.50%*		
66	*of which: counter-cyclical buffer requirement*	*0.0002357%*		
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)	15.29%	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)	22	36 (1) h, 45, 46, 472 (10), 56 c, 59, 60, 475 (4), 66 c, 69, 70, 477 (4)	
73	Direct and indirect holdings of equity of financial sector entities in which the institution holds a significant investment (amount below the 10% threshold, net of eligible short positions)	243	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)	33	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 cap is applied)	60	62	
77	Cap for inclusion of adjustments for credit risk in T2 using the standard approach	60	62	
78	Adjustments for credit risk included in T2 for exposures that fall under the internal ratings approach (before the cap is applied)	-6	62	
79	Cap for inclusion of adjustments for credit risk in T2 using the internal ratings approach	18	62	
	CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (APPLICABLE BETWEEN JANUARY 1, 2014 AND JANUARY 1, 2022 ONLY)			
80	Current cap on CET1 instruments subject to phase-out arrangements	150	484 (3), 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (cap exceeded after repayment and maturities)	-	484 (3), 486 (2) and (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	30	484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to the cap (cap exceeded after repayment and maturities)	-120	484 (4), 486 (3) and (5)	
84	Current cap applicable to T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) and (5)	
85	Amount excluded from T2 due to the cap (cap exceeded after repayment and maturities)	-	484 (5), 486 (4) and (5)	

4.4.2 Capital requirements

TABLE 7: OVERVIEW OF THE RISK-WEIGHTED ASSETS (RWAS) – (OV1) – AT 12/31/2020

		Risk-weighted assets		Minimum capital requirements
In € millions		12/31/2020	12/31/2019	12/31/2020
1	**Credit risk (excluding counterparty risk – CCR)**	**12,960**	**13,013**	**1,037**
2	of which standardized approach	4,714	4,650	377
3	of which foundation IRB approach	388	401	31
4	o/w advanced IRB approach	2,891	3,062	231
5	of which equities under the IRB approach	4,967	4,900	397
6	**Counterparty risk**	**90**	**97**	**7**
7	of which market value	35	35	3
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	55	62	4
13	**Settlement risk**	**-**	**-**	**-**
14	Securitization exposures in the banking book	-	-	-
15	of which foundation IRB approach	-	-	-
16	of which supervisory formula method	-	-	-
17	of which internal assessment approach	-	-	-
18	of which standardized approach	-	-	-
19	**Market risk**	**-**	**-**	**-**
20	of which standardized approach	-	-	-
21	of which approaches based on the internal model method (IMM)	-	-	-
22	Major risks	-	-	-
23	**Operational risk**	**1,194**	**1,240**	**95**
24	of which basic indicator approach	-	20	-
25	of which standardized approach	415	423	33
26	of which advanced measurement approach	779	797	62
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**675**	**570**	**54**
28	Floor adjustment	-	-	-
29	**TOTAL**	**14,918**	**14,920**	**1,193**

4.5 PRUDENTIAL INDICATORS

4.5.1 Solvency ratios

The Crédit Mutuel Nord Europe group's solvency ratios at December 31, 2020, after the integration of profit net of the estimated dividend pay-out, totaled:

TABLE 8: SOLVENCY RATIOS

In € millions	12/31/2020	12/31/2019
Common Equity Tier 1 (CET1) capital	2,952	2,772
Additional Tier 1 (AT1) capital	30	45
Tier 2 capital	677	665
TOTAL CAPITAL	**3,659**	**3,482**
Risk-weighted assets in respect of credit risk	13,669	13,618
Risk-weighted assets in respect of market risk	55	62
Risk-weighted assets in respect of operational risk	1,194	1,240
TOTAL RISK-WEIGHTED ASSETS	**14,918**	**14,920**
CET 1 ratio	19.79%	18.58%
T1 ratio	19.99%	18.88%
SOLVENCY RATIO	**24.53%**	**23.34%**

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

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4.5.2 Countercyclical capital buffer

TABLE 9: AMOUNT OF COUNTER-CYCLICAL CAPITAL BUFFER SPECIFIC TO THE INSTITUTION – AT 12/31/2020

In € millions	12/31/2020
Total risk-weighted assets	14,918
Counter-cyclical buffer rate applied to the bank	0.00000236
Counter-cyclical buffer requirements applicable to the bank	0.0352

TABLE 10: GEOGRAPHICAL BREAKDOWN OF RELEVANT CREDIT EXPOSURES FOR THE CALCULATION OF THE COUNTER-CYCLICAL CAPITAL BUFFER – AT 12/31/2020

	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 French financial stability board (*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	Of which: General credit exposures	o/w trading book exposures	o/w securi-tization exposures	Total	Capital requirement weightings	Counter-cyclical capital buffer rate
NORWAY	0.03	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0,000%	1.00%
CZECH REPUBLIC	0.03	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0,000%	0.50%
HONG KONG	0.73	0.01	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.03	0.003%	1.00%
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%
LUXEMBOURG	11.34	3.02	0.00	0.00	0.00	0.00	0.82	0.00	0.00	0.82	0.079%	0.25%
SLOVAKIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0,000%	1.00%
TOTAL EXPOSURES AND CAPITAL REQUIREMENTS	**7,375**	**14,802**	**-**	**-**	**-**	**-**	**1,037**	**-**	**-**	**1,037**		

In the framework of the CRR, the total capital requirement is maintained at 8% of risk-weighted assets (RWAs). 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 2020;
- 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 requirements. For the Crédit Mutuel group, its level was 0.5% in 2020;
- a counter-cyclical capital buffer 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). Set at 0.25% by the HCSF in France as of July 1, 2019, it was reduced to 0% as of April 2, 2020. 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.

4.5.3 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 1 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 Order 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 12/31/2020

In € millions	Value
Holdings of capital instruments of a financial sector entity where the institution has a significant investment not deducted from capital (before risk-weighting)	1,024
TOTAL RWAS	**3,789**

4.5.4 Leverage ratio

The procedures to manage the risk of excessive leverage have been validated by CNCM's board of directors and are centered around 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 was defined at country level (3.50%) and for each Crédit Mutuel group (the internal limit for CMNE is 4%, and the alert threshold is 4.50%);
- 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 12/31/2020

In € millions		Exposures at 12/31/2020
BALANCE SHEET (EXCLUDING DERIVATIVES AND TEMPORARY SALES OF SECURITIES)		
1	Balance sheet items (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	28,047
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	28,015
DERIVATIVES		
4	Replacement cost for all derivatives (*i.e.* net of eligible margin calls received)	18
5	Add-on for future potential exposures associated with derivatives (mark-to-market method)	83
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)	-105
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	-4
EXPOSURES TO TEMPORARY SALES OF SECURITIES		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
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	-
OTHER OFF-BALANCE SHEET EXPOSURES		
17	Off-balance sheet exposures at gross notional amounts	3,102
18	(Adjustments to credit risk equivalent amounts)	-1,614
19	Other off-balance sheet exposures – sum of lines 17 and 18	1,488
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])	-3,236
CAPITAL AND TOTAL EXPOSURE		
20	Tier 1	2,982
21	Total exposures – sum of lines 3, 11, 16, 19, EU-19a and EU-19b	26,264
LEVERAGE RATIO		
22	Leverage ratio	11.4%
22a	Leverage ratio (excluding the impact of temporary exclusions on central bank exposures)	11.1%
TRANSITIONAL ARRANGEMENTS CHOSEN AND AMOUNTS OF DE-RECOGNIZED FIDUCIARY ITEMS		
EU-23	Choice of transitional arrangements for defining capital measurement	YES

4.6 CAPITAL ADEQUACY

TABLE 13: SUMMARY OF RECONCILIATION OF CONSOLIDATED ACCOUNTING ASSETS AND EXPOSURES FOR LEVERAGE RATIO PURPOSES (LRSUM) – AT 12/31/2020

In € millions		Exposures at 12/31/2020
1	**Consolidated assets as published in the financial statements**	**28,823**
2	Adjustments for entities in the accounting consolidation but outside the regulatory consolidation	-
4	Adjustments on derivatives	-107
5	Adjustments on securities financing transactions (SFTs)	-
6	Adjustments on off-balance sheet items (conversion of off-balance sheet items to credit equivalents)	1,488
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	-3,236
7	Other adjustments	-705
8	**TOTAL LEVERAGE RATIO EXPOSURE**	**26,264**

TABLE 14: BREAKDOWN OF EXPOSURES ON THE BALANCE SHEET (EXCEPT DERIVATIVES, SFTS AND EXEMPT EXPOSURES) (LRSPL) – AT 12/31/2020

In € millions		Exposures at 12/31/2020
EU-1	TOTAL BALANCE SHEET EXPOSURES*, OF WHICH:	24,707
EU-2	**Trading book exposures**	**31**
EU-3	**Banking book exposures, of which:**	**24,675**
EU-4	Guaranteed bonds	25
EU-5	Exposures treated as sovereign exposures	1,505
EU-6	Exposures on regional governments, multilateral development banks, international organizations and public-sector entities not treated as sovereign exposures	12
EU-7	Credit Institutions	2,675
EU-8	Exposures secured by a mortgage on immovable property	9,724
EU-9	Retail exposures	6,215
EU-10	Corporate exposures	1,502
EU-11	Exposure in default	440
EU-12	Other exposures (equities, securitizations and other assets not related to credit exposures)	2,576

* *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. 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 that helps 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.

4.7 CREDIT RISK

General qualitative information on credit risk (Audited)

Historically, credit risk has been the main risk to which the CMNE group is exposed. Crédit Mutuel Nord Europe initially grew its business with retail customers and individual members. The composition of its portfolio fully reflects these fundamentals:

- retail customers account for 61% of the customer base at December 31, 2020 (stable compared to December 31, 2019);
- and individuals represent 46% of exposures.

Today, CMNE group's Bankinsurance scope is structured around three divisions: the French Banking division made up of local banks, the leasing division with Bail Actea for equipment leasing and Bail Actea Immobilier for real estate leasing, and the Belgian division headed up by Beobank, which is aiming to become a generalist bank through increased marketing of mortgage loans to professionals. The complementary nature of the divisions enables synergies between the banking entities in France and Belgium and the leasing entities, in particular Bail Actea. In addition, the CMNE group has implemented for all its banking entities, a structure specific to professional customers: in France, 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. Thus, these complementarities and specialization by market aim to meet these customers' needs and to eradicate the risks inherent in these activities.

Loan origination is governed by procedures and standards specific to each of the entities in the CMNE group's Banking scope. 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 division, 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 €3 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. This rule applies both in France and Belgium.

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.

These elements are included in the Loan Regulations specific to each entity or in CMNE's group Risk Policy.

Each quarter, various reports are drawn up to monitor compliance with the limits and exclusions of the lending activity. Thus, a Major Risks report, intended for Executive Management, studies and analyzes the group's counterparties, which are the most significant in terms of authorized outstandings. Likewise, the breakdown of outstandings by sector is analyzed in the Risk Report, with a focus on the most sensitive sectors.

Currently, the French Banking division's loan origination decision-making is based in particular on the customer's credit risk rating. This risk rating is based on algorithms and expert rating models developed and managed by Confédération Nationale de Crédit Mutuel for regional groups. These are developed to improve the credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches. A rating scale thus reflects risk progressivity.

68% of the CMNE group's outstanding customer loans (C-Corporate and D-Retail categories) are treated using an advanced method, the breakdown of outstanding loans by rating category and by rating algorithm being as follows:

- the best customers, represented by ratings equal to or above C- total 93% of outstandings (between 89% and 94%, depending on the loan agreement concerned);
- these ratings represent performing loans with a fairly high risk profile (between 4% and 8%, 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 1% of total outstanding loans.

The CMNE group is also careful to separate loan origination and management, risk monitoring and compliance with regulations and procedures. Accordingly:

- the commitments department is responsible for loan origination and managing commitments;
- the group risk management department is responsible for risk management, monitoring and oversight;
- the group Audit Control Inspectorate, reporting to the Inspector General, ensures compliance with the procedures and regulations relating to the lending activity, both at the level of the marketing network (local banks or branches), and in the central services of Caisse Fédérale or Beobank.

4.7.1 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.

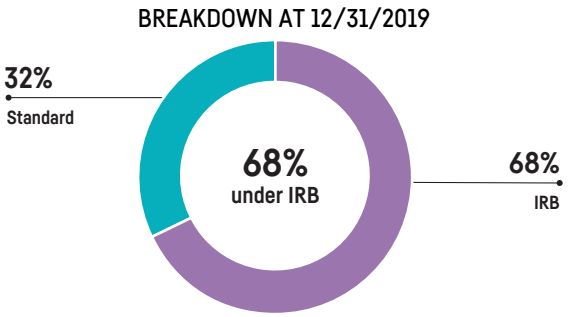
In connection with the TRIM (Targeted Review of Internal Models), the European Central Bank confirmed the authorization given to the Crédit Mutuel group for the home loan and retail customer portfolio in 2018 and the retail customer corporate and non-trading company portfolio in 2019.

The CMNE group was authorized to use the advanced internal ratings-based approach for almost 68% of its exposures at December 31, 2020. 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 represents 27% of the CMNE group's exposures.

TABLE 15: FRACTION OF GROSS EXPOSURES UNDER THE ADVANCED AND STANDARD METHODS

Measure on the scope of institutions, corporate and retail customers



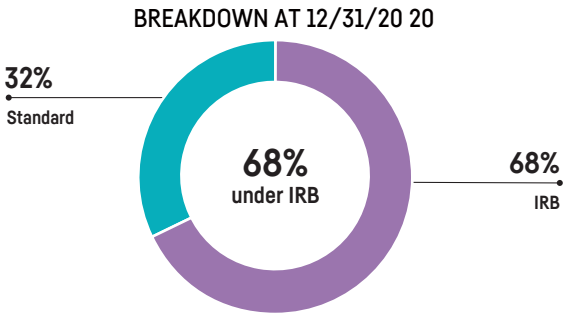


TABLE 16: NET EXPOSURES (GROSS EXPOSURES – PROVISIONS)

	12/31/2020			12/31/2019		
In € millions	IRB	Standard	TOTAL	IRB	Standard	TOTAL
Governments and central banks	-	4,541	4,541	-	4,184	4,184
Credit Institutions	2,486	272	2,758	1,959	570	2,529
Corporates	1,897	353	2,250	1,975	342	2,317
Retail customers	12,061	6,823	18,884	11,841	6,266	18,107
– *of which Individuals (algorithm)*	*8,456*	*5,945*	*14,400*	*8,404*	*5,424*	*13,828*
– *of which Farmers (algorithm)*	*920*	*4*	*924*	*914*	*4*	*919*
– *of which Sole Traders (algorithm)*	*624*	*359*	*983*	*635*	*316*	*951*
– *of which Legal Entities (algorithm)*	*603*	*420*	*1,023*	*657*	*416*	*1,073*
Equities	1,592	191	1,784	1,522	158	1,680
Securitization	-	-	-	-	-	-
Other non-credit obligation assets	388	405	792	401	443	844
TOTAL – ON- AND OFF-BALANCE SHEET	**18,424**	**12,585**	**31,009**	**17,698**	**11,963**	**29,661**
Derivatives	101	0	101	18	79	96
Resale agreements	-	-	-	-	-	-
GRAND TOTAL	**18,525**	**12,585**	**31,110**	**17,716**	**12,042**	**29,758**

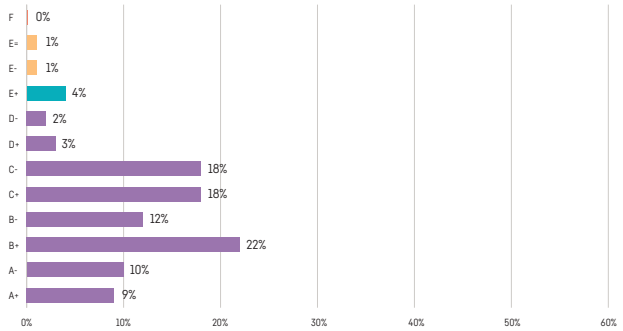
Net on-balance sheet and off-balance sheet exposures rose by €1,348 million in one year. Virtually all categories are up: the only categories that posted a decrease in outstandings are the Corporate category and the Other assets category.

The change in the "Governments and Central Banks" category is mainly attributable to the increase in deposits on regulated passbook accounts; this increase, which is specific to France, was up due to the contribution to the *Caisse des dépôts et consignations*.

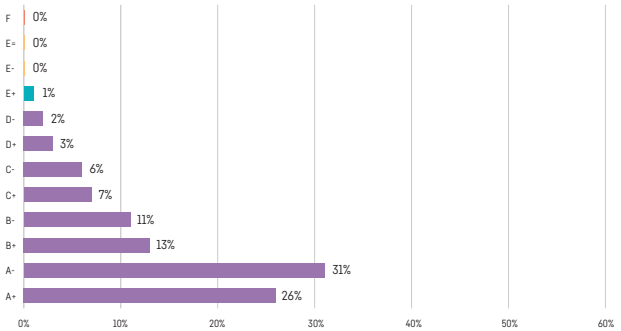
Broken down by rating, the main net IRB exposures remained stable over time. They can be represented as follows at December 31, 2020:

TABLE 17: BREAKDOWN OF MAIN NET IRB EXPOSURES – AT 12/31/2020

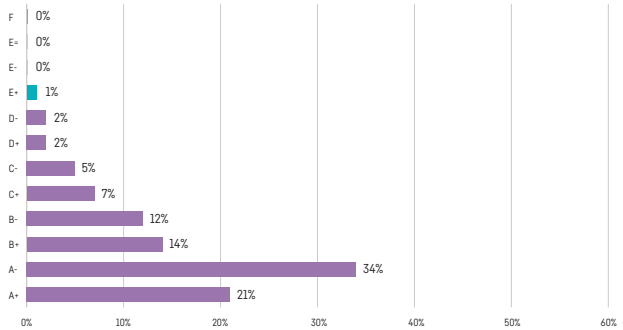
CORPORATE
€1,897 million



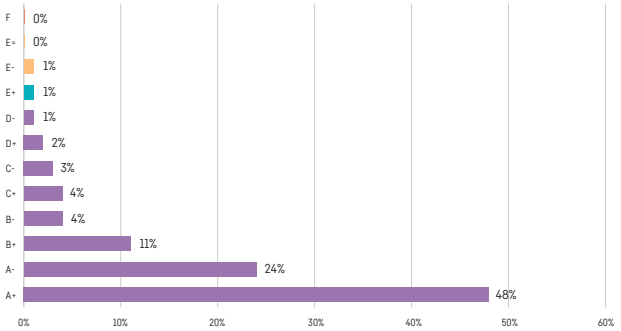
RETAIL CUSTOMERS
€12,061 million



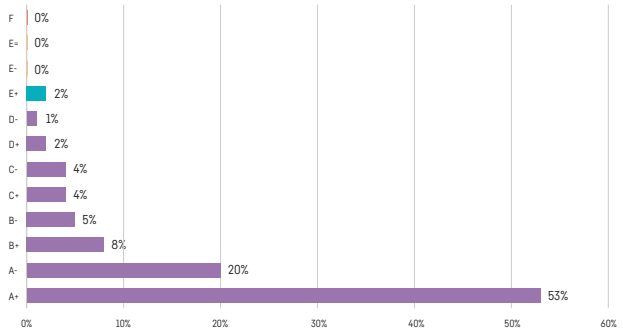
OF WHICH RETAIL CUSTOMERS – INDIVIDUALS
€8,456 million



OF WHICH RETAIL CUSTOMERS – FARMERS
€920 million



OF WHICH RETAIL CUSTOMERS – SOLE TRADERS
€624 million



OF WHICH RETAIL CUSTOMERS – LEGAL ENTITIES
€603 million

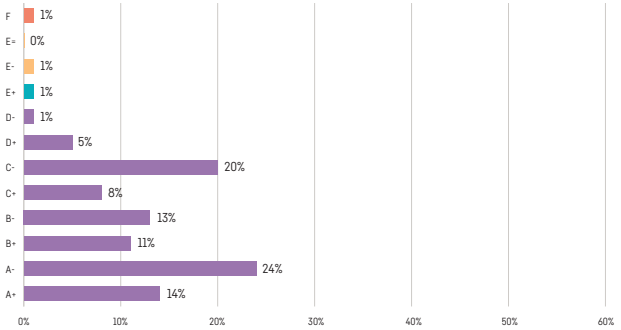


TABLE 18: TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES – (CRB-B) – AT 12/31/2020

In € millions		Net exposure at end of period	Average exposure over the year
1	Governments and central banks	-	-
2	Credit institutions	2,486	2,512
3	Corporates	1,897	1,923
4	*– of which: specialized financing*	-	-
5	*– of which: SMEs*	*1,051*	*1,022*
6	Retail customers	12,061	11,868
7	• Exposures secured by a mortgage on immovable property	6,611	6,533
8	• SMEs	680	673
9	• Non-SMEs	5,931	5,860
10	• Revolving	1,250	1,226
11	• Other – retail customers	4,200	4,109
12	• SMEs	1,994	1,917
13	• Non-SMEs	2,206	2,192
14	Equities	1,592	1,558
14a	Other assets	388	412
15	**Total IRB approach**	**18,424**	**18,274**
16	Governments and central banks	1,645	1,359
17	Regional governments or local authorities	202	257
18	Public sector (public bodies excluding central governments)	2,707	2,608
19	Multilateral development banks	-	-
20	International organizations	0	0
21	Credit institutions	234	311
22	Corporates	101	92
23	*– of which: SMEs*	*68*	*68*
24	Retail customers	3,479	3,487
25	*– of which: SMEs*	*408*	*387*
26	Exposures secured by a mortgage on immovable property	3,297	3,092
27	*– of which: SMEs*	*542*	*532*
28	Exposures in default	298	288
29	Exposures associated with particularly high risk	-	-
30	Covered bonds	25	6
31	Exposures to institutions and corporates with a short-term credit assessment	-	-
32	Exposures in the form of UCIT shares or equities	136	79
33	Exposures to equities	56	65
34	Other assets	405	414
35	**Total standardized approach**	**12,585**	**12,057**
36	**TOTAL**	**31,009**	**30,330**

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, 2020 (stable compared to December 31, 2019). 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.

4.7.2 Exposures by geographic area

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 December 31, 2020, reflects this as 97% of its commitments were in France and Belgium, and 99% were in Europe.

The geographic 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 19: GEOGRAPHICAL BREAKDOWN OF EXPOSURES – (CRB-C) – AT 12/31/2020

	In € millions	Europe	France	Germany	Belgium	Spain	Luxem-bourg	The Nether-lands	Switzer-land	The UK	Other	Rest of the world	USA	Canada	Other	Total
1	Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Credit institutions	2,260	1,899	-	64	-	11	97	-	93	96	226	140	41	44	2,486
3	Corporates	1,895	1,854	27	5	-	2	-	-	-	7	2	2	-	-	1,897
4	Retail customers	12,051	12,008	1	34	1	1	0	2	2	2	10	2	1	7	12,061
5	Equities	1,590	1,590	-	-	-	0	-	-	-	-	2	2	-	-	1,592
5a	Other assets	388	388	-	-	-	-	-	-	-	-	-	-	-	-	388
6	**TOTAL IRB APPROACH**	**18,185**	**17,739**	**29**	**104**	**1**	**14**	**97**	**2**	**94**	**105**	**239**	**146**	**42**	**51**	**18,424**
7	Governments and central banks	1,595	909	0	665	3	-	-	-	-	18	50	0	50	-	1,645
8	Regional governments or local authorities	124	13	-	112	-	-	-	-	-	-	78	-	78	-	202
9	Public sector (public bodies excluding central governments)	2,707	2,707	-	0	-	-	-	-	-	-	-	-	-	-	2,707
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	International organizations	-	-	-	-	-	-	-	-	-	-	0	-	-	0	0
12	Institutions (bank)	234	175	17	39	-	0	3	-	0	0	0	0	-	-	234
13	Corporates	101	30	-	70	-	-	-	-	-	-	-	-	-	-	101
14	Retail customers	3,473	28	1	3,431	2	7	1	0	1	2	6	1	0	5	3,479
15	Exposures secured by a mortgage on immovable property	3,294	296	1	2,990	0	4	1	0	2	0	4	0	-	3	3,297
16	Exposures in default	297	18	0	275	1	1	0	0	0	1	1	0	0	1	298
17	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	25	-	25	-	25
19	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Exposures in the form of UCIT shares or equities	136	119	-	-	-	16	-	-	-	-	-	-	-	-	136
21	Exposures to equities	56	53	-	3	-	-	-	-	-	-	-	-	-	-	56
22	Other assets	404	264	2	129	0	-	-	-	8	-	0	0	-	-	405
23	**TOTAL STANDARDIZED APPROACH**	**12,421**	**4,611**	**22**	**7,714**	**6**	**28**	**6**	**1**	**12**	**20**	**163**	**1**	**153**	**10**	**12,585**
24	**TOTAL**	**30,607**	**22,351**	**50**	**7,818**	**7**	**42**	**104**	**3**	**106**	**125**	**403**	**147**	**195**	**61**	**31,009**

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4.7.3 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 (15%) 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 20: CONCENTRATION OF EXPOSURES BY TYPE OF INDUSTRY OR COUNTERPARTY – (RCB-D) – AT 12/31/2020

	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-profits	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	-	2,486	-	-	-	-	-	-	-	-	-	-	-	-
3 Corporates	-	-	-	5	122	58	0	43	5	108	19	101	127	51
4 Retail customers	-	-	9,129	643	927	40	-	62	1	125	30	124	80	45
5 Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 TOTAL IRB APPROACH	**-**	**2,486**	**9,129**	**648**	**1,049**	**98**	**0**	**105**	**6**	**233**	**49**	**224**	**208**	**96**
7 Governments and central banks	1,645	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Regional governments or local authorities	202	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Public sector (public bodies excluding central governments)	2,707	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 International organizations	0	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Institutions (banks)	-	234	-	-	-	-	-	-	-	-	-	-	-	-
13 Corporates	-	-	-	6	1	1	5	9	1	8	-	5	9	0
14 Retail customers	-	-	3,060	122	2	3	-	26	0	62	9	29	30	17
15 Exposures secured by a mortgage on immovable property	-	-	2,695	221	6	3	-	14	1	13	3	14	18	16
16 Exposures in default	0	-	239	28	0	0	-	6	-	5	0	1	1	1
17 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Covered bonds	-	25	-	-	-	-	-	-	-	-	-	-	-	-
19 Exposures from institutions and corporates 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	**4,554**	**259**	**5,994**	**377**	**9**	**8**	**5**	**55**	**3**	**89**	**13**	**48**	**58**	**34**
24 TOTAL	**4,554**	**2,745**	**15,123**	**1,025**	**1,058**	**106**	**6**	**160**	**9**	**322**	**62**	**272**	**266**	**130**

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 activities	Industrial trans-portation	Household goods	Real estate develop-ment	Other real estate (including leasing and land)	Utilities	Agri-food and drink	Media	Holding companies, conglo-merates	Cutting-edge tech-nologies	Oil & gas commo-dities	Tele-commu-nications	Miscella-neous	Equities	Other assets	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,486
102	144	7	8	191	36	160	18	38	31	3	0	520	-	-	1,897
62	93	5	-	36	9	13	5	28	4	3	0	597	-	-	12,061
-	-	-	-	-	-	-	-	-	-	-	-	-	1,592	-	1,592
-	-	-	-	-	-	-	-	-	-	-	-	-	-	388	388
164	**236**	**12**	**8**	**228**	**45**	**173**	**22**	**66**	**35**	**6**	**0**	**1,117**	**1,592**	**388**	**18,424**
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,645
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	202
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,707
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234
5	6	-	1	25	-	1	-	-	-	-	10	7	-	-	101
28	12	3	-	38	1	5	3	16	3	0	0	8	-	-	3,479
13	5	3	7	75	-	4	1	18	3	0	0	163	-	-	3,297
0	0	0	-	3	-	0	0	1	0	-	-	11	-	-	298
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	136	-	136
-	-	-	-	-	-	-	-	-	-	-	-	-	56	-	56
-	-	-	-	-	-	-	-	-	-	-	-	-	-	405	405
47	**24**	**7**	**8**	**141**	**1**	**10**	**4**	**35**	**6**	**0**	**10**	**189**	**191**	**405**	**12,585**
211	**260**	**19**	**17**	**369**	**46**	**183**	**26**	**101**	**42**	**6**	**11**	**1,306**	**1,784**	**792**	**31,009**

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4.7.4 Maturity of exposures

TABLE 21: MATURITY OF EXPOSURES – (CRB-E) – AT 12/31/2020

		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	240	368	1,366	308	204	2,486
3	Corporates	299	313	806	368	112	1,897
4	Retail customers	1,079	1,518	4,262	5,176	25	12,061
5	Equities	-	-	570	-	1,023	1,592
5a	Other assets	29	24	0	27	308	388
6	**TOTAL IRB APPROACH**	**1,647**	**2,223**	**7,004**	**5,879**	**1,671**	**18,424**
7	Governments and central banks	1,065	188	201	108	84	1,645
8	Regional governments or local authorities	0	45	134	23	0	202
9	Public sector (public bodies excluding central governments)	255	20	155	2,278	0	2,707
10	Multilateral development banks	-	-	-	-	-	-
11	International organizations	0	-	-	-	-	0
12	Credit institutions	83	103	40	-	8	234
13	Corporates	14	21	15	35	16	101
14	Retail customers	463	416	1,234	385	980	3,479
15	Exposures secured by a mortgage on immovable property	34	201	864	2,223	-25	3,297
16	Exposures in default	230	5	34	24	6	298
17	Exposures associated with particularly high risk	-	-	-	-	-	-
18	Covered bonds	-	-	25	-	-	25
19	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Exposures in the form of UCIT shares or equities	-	-	-	-	136	136
21	Exposures to equities	-	-	-	-	56	56
22	Other assets	6	83	-	16	301	405
23	**TOTAL STANDARDIZED APPROACH**	**2,150**	**1,081**	**2,700**	**5,090**	**1,562**	**12,585**
24	**TOTAL**	**3,797**	**3,304**	**9,705**	**10,969**	**3,234**	**31,009**

4.7.5 Credit quality of assets

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

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.

Since December 2020, Beobank has also applied this new definition of default.

The main evolutions related to the implementation 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 for payments not made 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/group of borrowers. 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 counter is reset to zero 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.

This recalibration of parameters to take the new definition of default into account was postponed until the third quarter of 2021 as part of the easing measures taken by the ECB in response to the health crisis.

The Groupe Crédit Mutuel 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.

TABLE 22: PAYMENT ARREARS – AT 12/31/2020

	Payment arrears (S1+S2)				
In € millions	at 30 days	30 to 90 days	more than 3 months	Carrying amount of impaired assets	Total assets subject to payment arrears and impaired assets
Debt instruments	**-**	**-**	**-**	**-**	**-**
* Central governments	-	-	-	-	-
* Credit institutions	-	-	-	-	-
* Other financial sector	-	-	-	-	-
* Non-financial companies	-	-	-	-	-
Loans and advances	**345**	**41**	**10**	**370**	**766**
* Central governments	2	-	-	-	2
* Credit institutions	-	-	-	-	-
* Other financial sector	1	-	-	1	2
* Non-financial enterprises	69	7	8	117	201
* Individuals	273	34	2	252	561
TOTAL	345	41	10	370	766

Payment arrears include the entire principal amount outstanding.

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 after 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 all reasonable and supportable information into account;
- 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 in 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-balance sheet exposure is converted to an on-balance sheet 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 preparation 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 five-year forecast of the business cycle, confirmed 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 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 is derived from the one determined based on 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, the incorporation of forward-looking information is applied to the large corporates and bank models. This approach is similar to that used for high default portfolios.

For local authorities and sovereign models, there is no forward-looking aspect.

Lastly, specialized lending is subject to fixed-amount provision that is reviewed annually.

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 23 – BREAKDOWN OF OUTSTANDINGS AND IMPAIRMENT PROVISIONS BY STATUS – AT 12/31/2020

IFRS consolidation data

BALANCE SHEET

In € millions	Provisionable outstandings	Impairment provisions
Status 1	21,971	-52
Status 2	1,603	-59
Status 3	917	-483

OFF-BALANCE SHEET

In € millions	Provisionable outstandings before CCF	Provisions
Status 1	4,376	-2
Status 2	88	-2
Status 3	23	-3

COVID-19 health crisis

The Crédit Mutuel group has adhered to the relief plan initiated by the French State. in response to the COVID-19 health crisis. This program resulted in the granting of maturity extensions to corporate and professional customers and State-guaranteed loans to support their cash flow.

According to these financial programs, maturity extensions granted until September 30, 2020 did not automatically constitute an indicator of a significant deterioration in the credit risk of the financial assets in question, or of reclassification into restructured assets (forbone). Maturity extensions granted after that date represent individual support measures and, as a result, are downgraded to status 2, 3 or restructured assets in compliance with group rules.

Provisions for State-guaranteed loans are made in accordance with the principles of the standard, taking into account the specific nature of the product and the guarantee.

The Crédit Mutuel group took into account the unprecedented and brutal nature of the COVID-19 crisis in the macroeconomic environment to review the forward-looking aspect of the provision process.

Given the highly uncertain context, the weights of the scenarios were revised in line with Banque de France's macroeconomic projections. The weighting of the worst-case scenario was increased pursuant to the Order of June 30, 2020 and remained in force as of December 31, 2020.

This first measure was taken in parallel with a more severe worst-case scenario for high default individuals and sole traders customer portfolios at December 31, 2020.

Lastly, in accordance with the authorities' recommendations, an additional provision has been set aside to anticipate the increase losses for business segments considered to be most vulnerable to health crisis (tourism, gaming, leisure, hotels, restaurants, the automotive and aerospace industries excluding manufacturers, ready-to-wear, beverage retail, light vehicle rental, passenger and industrial transport, airlines). This provision was booked in accordance with a group methodology implemented nation-wide and which reflects the effects of successive lockdowns. (the tables showing the sectoral provisions booked to address this health crisis can be found in section 6 of the financial report, note 5c "Concentration of credit risk on sensitive sectors").

Restructured exposures

An exposure is restructured after a debtor encounters financial difficulties. This takes the form of concessions made to the debtor by the group, *e.g.* changing the terms of the loan agreement such as the interest rate or the maturity, partial forgiveness or additional financing that would not have been granted in the absence of 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, 2020 according to their industry or counterparty type, their Basel treatment method and their geographic area.

TABLE 24: CREDIT QUALITY OF EXPOSURES BY CATEGORY OF EXPOSURE AND BY INSTRUMENT – (RC1-A) – AT 12/31/2020

		a	b	c	g
		Gross exposures			Net exposures
In € millions		Performing exposures	Exposures in default	Provisions	(a+b-c-d)
1	Governments and central banks	-	-	-	-
2	Credit institutions	2,492	-	6	2,486
3	Corporates	1,860	69	32	1,897
4	*– of which: specialized financing*	-	-	-	-
5	*– of which: SMEs*	*1,024*	*40*	*13*	*1,051*
6	Retail customers	11,980	239	158	12,061
7	• Exposures secured by a mortgage on immovable property	6,564	102	54	6,611
8	• SMEs	672	18	10	680
9	• Non-SMEs	5,891	84	44	5,931
10	• Revolving	1,249	13	12	1,250
11	• Other – retail customers	4,168	124	92	4,200
12	• SMEs	1,975	54	35	1,994
13	• Non-SMEs	2,193	70	57	2,206
14	Equities	1,592	-	-	1,592
14a	Other assets	388	-	-	388
15	**TOTAL IRB APPROACH**	**18,312**	**308**	**196**	**18,424**
16	Governments and central banks	1,645	-	0	1,645
17	Regional governments or local authorities	202	-	0	202
18	Public sector (public bodies excluding central governments)	2,707	-	0	2,707
19	Multilateral development banks	-	-	-	-
20	International organizations	0	-	-	0
21	Credit institutions	234	-	-	234
22	Corporates	104	-	3	101
23	*– of which: SMEs*	*71*	-	*3*	*68*
24	Retail customers	3,519	-	40	3,479
25	*– of which: SMEs*	*421*	-	*13*	*408*
26	Exposures secured by a mortgage on immovable property	3,315	-	18	3,297
27	*– of which: SMEs*	*550*	-	*8*	*542*
28	Exposures in default	-	639	340	298
29	Exposures associated with particularly high risk	-	-	-	-
30	Covered bonds	25	-	-	25
31	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
32	Exposures in the form of UCIT shares or equities	136	-	-	136
33	Exposures to equities	56	-	-	56
34	Other assets	405	-	-	405
35	**TOTAL STANDARDIZED APPROACH**	**12,347**	**639**	**402**	**12,585**
36	**TOTAL**	**30,660**	**947**	**598**	**31,009**

Exposures in default represent 3% of the group's total exposures (3.1% as of December 31, 2019): this rate is 1.7% in IRB (stable compared to December 31, 2019) and 4.9% in standard (5.2% at December 31, 2019).

TABLE 25: CREDIT QUALITY OF ASSETS – SECTORAL BREAKDOWN – (CR1-B) – AT 12/31/2020

		a	b	c	g
		Gross exposures			Net exposures
In € millions		Performing exposures	Exposures in default	Provisions	(a+b-c-d)
1	Governments	4,554	-	-	4,554
2	Banks and financial institutions	2,751	-	6	2,745
3	Individuals	14,871	694	443	15,123
4	Sole traders	999	52	26	1,025
5	Farmers	1,046	30	17	1,058
6	Non-profits	106	1	1	106
7	Other group subsidiaries	6	-	-	6
8	Travel and leisure	156	15	11	160
9	Chemicals	9	-	-	9
10	Retail	302	44	24	322
11	Automotive	62	3	2	62
12	Building and construction materials	260	22	9	272
13	Industrial goods and services	261	13	9	266
14	Healthcare	130	2	2	130
15	Other financial activities	209	5	4	211
16	Industrial transportation	258	5	3	260
17	Household goods	19	2	2	19
18	Real estate development	17	-	-	17
19	Other real estate (including leasing and land)	368	8	7	369
20	Utilities	46	-	-	46
21	Agri-food and drink	183	1	1	183
22	Media	26	1	-	26
23	Holding companies, conglomerates	100	5	4	101
24	Cutting-edge technologies	42	-	-	42
25	Oil and gas, commodities	5	1	-	6
26	Telecommunications	11	-	-	11
27	Miscellaneous	1,289	41	24	1,306
28	Equities	1,784	-	-	1,784
29	Other Assets	792	-	-	792
30	**TOTAL**	**30,660**	**947**	**598**	**31,009**

Individuals account for 49% of the CMNE group's net exposures and 73% of its exposures in default. Their default rate is 4.5%.

TABLE 26: CREDIT QUALITY OF EXPOSURES BY GEOGRAPHIC AREA – (RC1-C) – AT 12/31/2020

		a	b	c	g
		Gross exposures			Net exposures
In € millions		Performing exposures	Exposures in default	Provisions	(a+b-c-d)
1	**Europe**	**30,258**	**943**	**595**	**30,607**
2	• France	22,219	330	199	22,351
3	• Germany	50	2	1	50
4	• Belgium	7,602	598	381	7,818
5	• Spain	6	2	1	7
6	• Luxembourg	39	5	2	42
7	• Netherlands	107	2	6	104
8	• Switzerland	3	0	0	3
9	• United Kingdom	106	2	2	106
10	• Other	126	2	3	125
11	**Rest of the world**	**402**	**4**	**3**	**403**
12	• United States	147	0	0	147
13	• Canada	195	1	0	195
14	• Other	60	3	2	61
15	**TOTAL**	**30,660**	**947**	**598**	**31,009**

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

TABLE 27: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY AGING OF PAST DUE DAYS – (RC1-D) – AT 12/31/2020

	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	**21,521**	**21,465**	**57**	**917**	**168**	**41**	**68**	**256**	**145**	**71**	**168**	**917**
2 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
3 Governments	52	52	0	0	-	-	-	0	-	-	-	0
4 Credit institutions	3,750	3,750	-	1	-	-	-	1	-	-	-	1
5 Other financial sector	266	266	0	3	0	0	-	1	1	-	1	3
6 Non-financial enterprises	5,718	5,700	17	259	51	11	29	106	20	12	30	259
7 – o/w SMEs	*5,348*	*5,333*	*16*	*236*	*50*	*11*	*29*	*84*	*20*	*12*	*30*	*236*
8 Households	11,735	11,696	39	654	117	29	39	148	125	59	137	654
9 Debt instruments	**2,022**	**2,022**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
11 Governments	680	680	-	-	-	-	-	-	-	-	-	-
12 Credit institutions	1,088	1,088	-	-	-	-	-	-	-	-	-	-
13 Other financial sector	42	42	-	-	-	-	-	-	-	-	-	-
14 Non-financial enterprises	213	213	-	-	-	-	-	-	-	-	-	-
15 OFF-BALANCE SHEET OUTSTANDINGS	**3,307**			**23**								**23**
16 Central banks	50			-								-
17 Governments	1			-								-
18 Credit institutions	226			5								5
19 Other financial sector	39			0								0
20 Non-financial enterprises	621			10								10
21 Households	2,370			8								8
22 TOTAL	**26,851**	**23,487**	**57**	**940**	**168**	**41**	**68**	**256**	**145**	**71**	**168**	**940**

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TABLE 28: PERFORMING AND NON-PERFORMING EXPOSURES AND ASSOCIATED PROVISIONS – (RC1-E) – AT 12/31/2020

	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	**21,521**	**20,113**	**1,408**	**917**	**-**	**917**	**-108**	**-52**	**-57**	**-483**	**-**	**-483**	**-**	**10,050**	**186**
2 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Governments	52	51	1	0	-	0	-0	-0	-0	-0	-	-0	-	3	0
4 Credit institutions	3,750	3,750	0	1	-	1	-0	-0	-	-0	-	-0	-	-	-
5 Other financial sector	266	264	3	3	-	3	-1	-1	-0	-2	-	-2	-	40	1
6 Non-financial enterprises	5,718	4,779	939	259	-	259	-50	-15	-35	-113	-	-113	-	2,458	90
7 – *Of which: small and medium-sized enterprises*	*5,348*	*4,475*	*874*	*236*	-	*236*	*-48*	*-15*	*-33*	*-105*	-	*-105*	-	*2,364*	*82*
8 Households	11,735	11,270	465	654	-	654	-57	-36	-22	-368	-	-368	-	7,549	96
9 Debt instruments[1]	**2,022**	**1,788**	**80**	**-**	**-**	**-**	**-2**	**-1**	**-2**	**-**	**-**	**-**	**-**	**-**	**-**
10 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Governments	680	680	-	-	-	-	-0	-0	-	-	-	-	-	-	-
12 Credit institutions	1,088	905	71	-	-	-	-2	-0	-1	-	-	-	-	-	-
13 Other financial sector	42	0	0	-	-	-	-0	-0	-0	-	-	-	-	-	-
14 Non-financial enterprises	213	203	9	-	-	-	-0	-0	-0	-	-	-	-	-	-
15 OFF-BALANCE SHEET OUTSTANDINGS	**3,307**	**3,220**	**88**	**23**	**-**	**23**	**-4**	**-2**	**-2**	**-3**	**-**	**-3**	**-**	**295**	**1**
16 Central banks	50	50	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Governments	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Credit institutions	226	213	13	5	-	5	-0	-0	-	-	-	-	-	1	0
19 Other financial sector	39	39	0	0	-	0	-0	-0	-0	-	-	-	-	1	0
20 Non-financial enterprises	621	591	30	10	-	10	-3	-1	-2	-2	-	-2	-	97	0
21 Households	2,370	2,326	44	8	-	8	-1	-1	-0	-0	-	-0	-	195	0
22 TOTAL	**26,851**	**25,121**	**1,576**	**940**	**-**	**940**	**-115**	**-54**	**-61**	**-486**	**-**	**-486**	**-**	**10,344**	**187**

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

TABLE 29: RISK QUALITY OF LOANS AND ADVANCES (AUDITED)

In € millions	12/31/2020	12/31/2019
Gross receivables subject to individual impairment	917	926
12-month expected losses (S1)	-52	-50
Expected losses to termination (S2)	-57	-42
Expected losses on impaired assets (or individual impairment) (S3)	-483	-500
Total coverage ratio	64.6%	63.9%
Coverage ratio of impaired assets	52.7%	54.0%

TABLE 30: ACCOUNTING BASIS EXPOSURE (AUDITED)

In € millions	12/31/2020	12/31/2019	Change from 12/31/2019	
LOANS AND RECEIVABLES				
Credit institutions	3,935	2,716	1,219	45%
Customers	18,687	17,966	721	4%
Gross exposure	**22,622**	**20,682**	**1,940**	**9%**
Impairment provisions	**-591**	**-593**	**2**	**0%**
Credit institutions				
Customers	-591	-593	2	0%
NET EXPOSURE	**22,031**	**20,089**	**1,942**	**10%**
FINANCING COMMITMENTS GIVEN				
Credit institutions	38	32	6	19%
Customers	2,859	2,739	120	4%
GUARANTEES GIVEN				
Credit institutions	26	17	9	53%
Customers	208	209	-1	0%
Provision for risks on commitments given	**-4**	**-3**	**-1**	**33%**
NET EXPOSURE	**3,127**	**2,994**	**133**	**4%**
DEBT SECURITIES[1]				
Government securities	426	758	-332	-44%
Bonds and other fixed-income securities	2,385	3,042	-657	-22%
Derivatives	103	167	-64	-38%
Repurchase agreements and securities lending	-	206	-206	100%
Gross exposure	**2,914**	**4,173**	**-1,259**	**-30%**
Provisions for impairment of securities	**-2**	**-1**	**-1**	**100%**
NET EXPOSURE	**2,912**	**4,172**	**-1,260**	**-30%**

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

TABLE 31: QUALITY OF CREDITS FOR RESTRUCTURED EXPOSURES – AT 12/31/2020 (AUDITED)

	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	**54**	**117**	**117**	**117**	**-3**	**-30**	**73**	**48**
2 Central banks	-	-	-	-	-	-	-	-
3 Governments	0	-	-	-	-	-	-	-
4 Credit institutions	-	1	1	1	-	0	-	-
5 Other financial sector	-	0	0	0	-	0	0	0
6 Non-financial enterprises	15	58	58	58	-1	-12	29	21
7 Households	39	58	58	58	-2	-17	43	27
8 Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9 Loan commitments given	**0**	**1**	**1**	**1**	**0**	**-**	**0**	**-**
10 TOTAL	**54**	**118**	**118**	**118**	**-3**	**-30**	**73**	**48**

At December 31, 2020, outstanding forborne loans for the CMNE group amounted to €171 million (compared to €136 million at December 31, 2019), of which €117 million are non-performing (68%). The restructured off-balance sheet amounts to €1 million.

TABLE 32: SEIZED ASSETS – AT 12/31/2020

The CMNE group had no seized assets at December 31, 2020.

Exposures subject to the measures implemented in response to the COVID-19 crisis (moratoriums, SGLs, other support measures)

TABLE 33: INFORMATION ON LOANS AND ADVANCES SUBJECT TO STATUTORY AND NON-LEGISLATIVE MORATORIUMS – AS OF 12/31/2020 (AUDITED)

	Gross carrying value							Cumulative impairment, cumulative negative changes in fair value due to credit risk							
	TOTAL	Performing exposures			Non-performing exposures			TOTAL	Performing exposures			Non-performing exposures – cumulative impairments, cumulative negative changes in fair value due to credit risk and provisions			
In € millions			Of which: exposures subject to renego-tiation measures	Of which: instruments with a significant increase in credit risk since initial recognition, but not impaired (step 2)		Of which: exposures subject to renego-tiation measures	Of which: payment unlikely, but not past due or past due ≤90 days			Of which: exposures subject to renego-tiation measures	Of which: instruments with a significant increase in credit risk since initial recognition, but not impaired (step 2)		Of which: exposures subject to renego-tiation measures	Of which: payment unlikely, but not past due or past due ≤90 days	Gross carrying amount – Non-performing exposures
1 **Loans and advances subject to moratoriums**	**898**	872	5	124	26	16	13	**-19**	-12	-0	-8	-7	-3	-3	8
2 of which: households	**326**	314	2	9	12	8	8	**-4**	-2	-0	-1	-2	-1	-1	4
3 *of which: secured by residential real estate*	***285***	*277*	*1*	*7*	*8*	*5*	*5*	***-2***	*-1*	*-0*	*-0*	*-1*	*-1*	*-0*	*2*
4 of which: non-financial enterprises	**564**	550	4	116	14	9	5	**-15**	-10	-0	-7	-5	-2	-1	4
5 *of which: small and medium-sized enterprises*	***528***	*516*	*4*	*110*	*12*	*8*	*5*	***-13***	*-9*	*-0*	*-7*	*-4*	*-1*	*-1*	*3*
6 *of which: secured by commercial real-estate*	***82***	*80*	*1*	*51*	*2*	*1*	*1*	***-4***	*-4*	*-0*	*-4*	*-0*	*-0*	*-0*	*0*

As of December 31, 2020, 898 million outstanding loans were the subject of moratoriums, 97% of which were performing. 63% of these loans concern non-financial enterprises (SMEs, professionals, etc.).

TABLE 34: BREAKDOWN OF LOANS AND ADVANCES SUBJECT TO STATUTORY AND NON-LEGISLATIVE MORATORIUMS BY RESIDUAL MATURITY OF THE MORATORIUM – AT 12/31/2020 (AUDITED)

		Gross carrying value							
					Residual maturity of the moratorium				
In € millions	Number of debtors	Total	Of which: legislative moratorium	Of which: matured	≤3 month	>3 month ≤6 months	>6 month ≤9 months	>9 month ≤12 months	>1 year
1 Loans and advances for which a moratorium has been proposed									
2 **Loans and advances subject to moratoriums (granted)**	**6,355**	**898**	**28**	**871**	**27**	**0**	**-**	**-**	**-**
3 of which: households		326	28	309	17	0	-	-	-
4 *of which: secured by residential real estate*		*285*	-	*270*	*14*	*0*	-	-	-
5 of which: non-financial enterprises		564	-	554	10	-	-	-	-
6 *of which: small and medium-sized enterprises*		*528*	-	*518*	*10*	-	-	-	-
7 *of which: secured by commercial real-estate*		*82*	-	*76*	*6*	-	-	-	-

TABLE 35: INFORMATION ON NEW LOANS AND ADVANCES ISSUED AND PROVIDED UNDER THE NEW PUBLIC GUARANTEE PROGRAMS INTRODUCED IN RESPONSE TO THE COVID-19 PANDEMIC – AT 12/31/2020 (AUDITED)

In € millions		Gross carrying amount Performing	of which: renegotiated	Maximum amount of guarantee that may be taken into consideration Public guarantees received	Gross carrying value Inflows from non-performing exposures
1	**New loans and advances issued subject to public guarantee programs**	**277**	**0**	**241**	**8**
2	of which: households	-	-		-
3	*of which: secured by residential real estate*	-	-		-
4	of which: non-financial enterprises	275	0	241	7
5	*of which: small and medium-sized enterprises*	*222*	-		*7*
6	*of which: secured by commercial real-estate*	*1*	-		*0*

This table mainly shows the outstanding amounts of State-guaranteed loans: these are cash loans granted by the French Network to professionals to help them deal with the COVID-19 health crisis and fully guaranteed at 90% by the French State, for CMNE.

4.7.6 Reconciliation of credit risk adjustments

TABLE 36: CHANGE IN THE BALANCE OF ADJUSTMENT FOR GENERAL AND SPECIFIC CREDIT RISK – (RC2-A) – AT 12/31/2020 (AUDITED)

In € millions	a Cumulative adjustments for specific credit risk	b Cumulative adjustments for general credit risk
Opening balance	-594	-
Increases due at origination and on acquisition	-33	-
Decreases due to derecognition	23	-
Changes due to changes in (net) credit risks	3	-
Changes due to modifications without derecognition (net)	-0	-
Changes due to updating of models	-31	
Reversals of provisions due to write-offs	38	
Exchange rate differences	-	-
Business combinations, including acquisitions/disposals of subsidiaries	-	-
Other	0	-
Closing balance	-594	-
Recoveries on assets previously written off	1	-
Classification in loss	-44	-

4.7.7 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 CMNE group uses ratings from Standard & Poor's, Moody's and Fitch rating agencies to measure sovereign risk on government and central bank exposures. In the event that several rating levels deducted from external ratings are possible, they are ranked from the most favorable to the least favorable and the second best is used for the calculation of the weighted risks. 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 37: BREAKDOWN OF EXPOSURES UNDER THE STANDARD APPROACH – (RC5) – AT 12/31/2020

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

Exposure classes		Risk weight																
In € millions		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total
1	Governments and central banks	1,774	-	-	-	19	-	21	-	-	-	-	33	-	-	-	-	1,846
2	Regional governments or local authorities	189	-	-	-	13	-	-	-	-	-	-	-	-	-	-	-	202
3	Public sector (public bodies excluding central governments)	2,706	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,706
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organizations	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
6	Credit institutions	4	-	-	-	174	-	60	-	-	0	-	-	-	-	-	-	238
7	Corporates	-	-	-	-	4	-	2	-	-	85	-	-	-	-	-	-	91
8	Retail customers	-	-	-	-	-	-	-	-	2,913	-	-	-	-	-	-	-	2,913
9	Exposures secured by a mortgage on immovable property	-	-	-	-	-	2,211	-	-	828	208	-	-	-	-	-	-	3,247
10	Exposures in default	-	-	-	-	-	-	-	-	-	223	75	-	-	-	-	-	298
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	25
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures in the form of UCIT shares or equities	-	-	-	-	-	-	-	-	-	136	-	-	-	-	-	-	136
15	Exposures to equities	-	-	-	-	-	-	-	-	-	56	-	-	-	-	-	-	56
16	Other assets	-	-	-	2	3	-	2	-	-	377	-	-	-	-	21	-	405
17	**TOTAL**	**4,673**	**-**	**-**	**2**	**237**	**2,211**	**85**	**-**	**3,741**	**1,085**	**75**	**33**	**-**	**-**	**21**	**-**	**12,163**

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.

4.7.8 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, 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) corresponds to the ratio between the currently undrawn portion of a credit line that could be drawn down and would therefore be exposed in the event of default and the currently undrawn portion of this credit line, the credit line being determined by the authorized limit, unless the unauthorized limit is higher.

In the case of the Corporate and Retail 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	Two models: Banks and covered bonds	Expert-type models based on grids comprising qualitative and quantitative variables
	Corporates	Large Corporates (LCs) (revenue >€500 million)	Six 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)	Three models	Quantitative-type models with expert qualitative grids
		Acquisition financing, Large Corporates	One model	Expert-type model based on grid containing qualitative and quantitative variables
		Corporate acquisition financing	One model	Quantitative-type models combined with expert qualitative grids
		Specialized financing	Spec asset lending: six models according to the asset type FS – projects: four models according to the sector, FS – real estate: one model	Expert-type models based on grids comprising qualitative and quantitative variables
		Other Corporates	Two models: Real estate companies and insurance companies	Expert-type models based on grids comprising qualitative and quantitative variables
	Retail	Individuals	Six models according to the type of loan (mortgage loan, overdraft, etc.)	Quantitative-type models
		Legal entities	Four models according to the type of customer	Quantitative-type models
		Sole traders	Three models according to the type of profession (retailers, artisans, etc.)	Quantitative-type models
		Farmers	Six models depending on the condition of the account and type of operation (cyclical or not)	Quantitative-type models
		Non-profits	One model	Quantitative-type models
		Real estate trusts	One model	Quantitative-type models
LGD	Credit Institutions	Financial institutions	One model	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
	Corporates	Large Corporates (LCs), Acquisition financing, RE Invest. cos. and Insurance	One model, with sector parameters	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
		"Mass" corporates	One model applied to eight segments according to the type of loan and the nature of the collateral	Quantitative-type models based on internal collection flows
	Retail		One model applied to 10 segments according to the type of loan and the nature of the collateral	Quantitative-type models based on internal collection flows
CCF	Corporates	"Mass" corporates	One model applied to 4 segments according to the type of loan	Quantitative model, CCFs calibrated using internal data of loan
	Retail		One model applied to eight segments according to the type of loan	Quantitative model, CCFs calibrated using internal data of loan

TABLE 38: IRB APPROACH – CREDIT RISK EXPOSURE BY EXPOSURE CATEGORY AND PD SCALE – (CR6) – AT 12/31/2020

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	RWAs	RWA density	EL	Correction to amounts and provisions
1) INSTITUTIONS (BANKS)											
0 to <0.15	2,233	49	81%	2,272	0.04%	37.60%	2.50	321	14%	0	0
0.15 to <0.25	101	-	0%	101	0.23%	37.33%	2.00	59	58%	0	0
0.25 to <0.50	62	-	0%	62	0.44%	29.86%	-	39	63%	0	4
0.50 to <0.75	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.75 to <2.50	26	-	0%	26	1.02%	45.05%	-	34	131%	0	-
2.50 to <10.00	0	-	0%	0	2.75%	44.28%	-	1	170%	0	-
10.00 to <100.00	20	-	0%	20	21.62%	45.01%	-	60	302%	2	1
100 (default)	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
Sub-total	**2,443**	**49**	**81%**	**2,482**	**0.24%**	**37.53%**	**2.45**	**514**	**21%**	**3**	**6**
2) CORPORATES											
0 to <0.15	130	14	71%	140	0.11%	42.78%	2.41	43	30%	0	0
0.15 to <0.25	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.25 to <0.50	64	1	52%	64	0.35%	44.39%	2.47	41	64%	0	0
0.50 to <0.75	337	31	42%	350	0.64%	21.36%	2.50	101	29%	0	0
0.75 to <2.50	460	89	53%	506	1.35%	24.98%	2.50	265	52%	2	1
2.50 to <10.00	504	97	42%	544	3.92%	25.17%	2.50	359	66%	5	6
10.00 to <100.00	85	6	65%	89	19.71%	21.20%	2.50	93	105%	4	5
100 (default)	59	10	94%	69	100.02%	53.57%	2.48	65	95%	33	20
Sub-total	**1,637**	**248**	**50%**	**1,762**	**6.63%**	**27.36%**	**2.50**	**968**	**55%**	**44**	**32**
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	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.50 to <0.75	269	28	38%	279	0.64%	21.44%	2.50	74	26%	0	0
0.75 to <2.50	225	23	48%	235	1.53%	21.08%	2.50	85	36%	1	0
2.50 to <10.00	387	42	69%	416	3.97%	23.94%	2.50	237	57%	4	1
10.00 to <100.00	29	1	41%	29	19.75%	20.69%	2.46	21	71%	1	0
100 (default)	31	9	99%	40	100.10%	47.09%	2.52	47	117%	15	11
Sub-total	**941**	**103**	**58%**	**1,001**	**6.79%**	**23.40%**	**2.50**	**464**	**46%**	**21**	**13**
3) RETAIL CUSTOMERS											
0 to <0.15	3,927	703	33%	4,159	0.07%	16.21%	-	128	3%	1	1
0.15 to <0.25	1,208	110	39%	1,250	0.20%	15.31%	-	77	6%	0	0
0.25 to <0.50	1,774	213	35%	1,848	0.35%	17.46%	-	176	10%	1	1
0.50 to <0.75	641	153	34%	694	0.60%	20.54%	-	98	14%	1	1
0.75 to <2.50	1,609	244	38%	1,701	1.39%	18.42%	-	361	21%	4	5
2.50 to <10.00	887	102	43%	931	5.09%	18.66%	-	324	35%	9	11
10.00 to <100.00	232	21	45%	242	19.99%	19.92%	-	166	69%	9	14
100 (default)	232	4	69%	235	99.99%	52.40%	-	80	34%	117	124
Sub-total	**10,512**	**1,550**	**35%**	**11,060**	**3.35%**	**17.98%**	**-**	**1,409**	**13%**	**143**	**157**
3.1.) Of which: Exposures secured by a mortgage on immovable property											
0 to <0.15	2,978	97	41%	3,017	0.07%	13.51%	-	77	3%	0	0
0.15 to <0.25	933	20	41%	941	0.20%	13.62%	-	54	6%	0	0
0.50 to <0.75	1,019	17	41%	1,026	0.36%	14.68%	-	95	9%	1	1
0.50 to <0.75	243	6	42%	246	0.61%	15.85%	-	33	14%	0	0
0.75 to <2.50	772	20	41%	780	1.29%	14.44%	-	166	21%	1	3
2.50 to <10.00	331	8	42%	334	4.91%	14.56%	-	158	47%	2	7
10.00 to <100.00	119	1	40%	119	20.75%	14.73%	-	98	82%	4	7
100 (default)	102	0	33%	102	99.99%	43.73%	-	36	35%	42	36
Sub-total	**6,497**	**169**	**41%**	**6,566**	**2.47%**	**14.45%**	**-**	**717**	**11%**	**50**	**54**
3.1.a.) Of which: SMEs											
0 to <0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to <0.25	70	2	41%	70	0.19%	13.94%	-	3	5%	0	0
0.25 to <0.50	218	3	42%	219	0.34%	17.14%	-	19	9%	0	0
0.50 to <0.75	131	3	41%	132	0.60%	16.36%	-	16	12%	0	0
0.75 to <2.50	141	2	41%	142	1.50%	17.20%	-	32	23%	0	1
2.50 to <10.00	69	4	42%	71	5.25%	17.28%	-	34	48%	1	1
10.00 to <100.00	28	1	41%	28	20.10%	16.67%	-	21	74%	1	2
100 (default)	18	0	0%	18	100.22%	48.21%	-	8	43%	8	7
Sub-total	**675**	**15**	**42%**	**681**	**4.58%**	**17.48%**	**-**	**133**	**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	RWAs	RWA density	EL	Correction to amounts and provisions
3.1.b.) Of which: Non-SMEs											
0 to <0.15	2,978	97	41%	3,017	0.07%	13.51%	-	77	3%	0	0
0.15 to <0.25	863	18	41%	870	0.20%	13.60%	-	51	6%	0	0
0.25 to <0.50	801	14	41%	807	0.36%	14.02%	-	76	9%	0	1
0.50 to <0.75	112	3	41%	113	0.62%	15.24%	-	17	15%	0	0
0.75 to <2.50	632	17	41%	639	1.25%	13.82%	-	134	21%	1	2
2.50 to <10.00	262	4	41%	263	4.82%	13.83%	-	124	47%	2	6
10.00 to <100.00	91	0	39%	91	20.93%	14.11%	-	77	85%	3	6
100 (default)	84	0	32%	84	99.94%	42.77%	-	28	33%	34	29
Sub-total	**5,822**	**153**	**41%**	**5,884**	**2.23%**	**14.10%**	**-**	**583**	**10%**	**40**	**44**
3.2.) Of which: Revolving											
0 to <0.15	156	420	20%	241	0.09%	30.30%	-	4	2%	0	0
0.15 to <0.25	26	37	20%	34	0.20%	30.33%	-	1	3%	0	0
0.25 to <0.50	68	98	20%	88	0.28%	30.29%	-	4	5%	0	0
0.50 to <0.75	69	87	20%	86	0.54%	30.31%	-	7	8%	0	0
0.75 to <2.50	106	90	20%	124	1.63%	30.32%	-	22	18%	1	1
2.50 to <10.00	39	21	20%	43	4.76%	30.32%	-	16	38%	1	1
10.00 to <100.00	23	8	20%	25	16.84%	30.35%	-	19	77%	1	1
100 (default)	13	1	21%	13	100.09%	55.31%	-	3	23%	7	9
Sub-total	**501**	**761**	**20%**	**654**	**3.41%**	**30.80%**	**-**	**76**	**12%**	**10**	**12**
3.3.) Of which: Other – retail customers											
0 to <0.15	793	186	58%	901	0.08%	21.50%	-	46	5%	0	0
0.15 to <0.25	248	54	51%	275	0.20%	19.21%	-	22	8%	0	0
0.25 to <0.50	687	98	48%	734	0.34%	19.80%	-	77	11%	0	0
0.50 to <0.75	329	60	54%	362	0.61%	21.41%	-	58	16%	0	0
0.75 to <2.50	731	134	49%	796	1.45%	20.46%	-	173	22%	2	2
2.50 to <10.00	517	73	49%	553	5.22%	20.22%	-	150	27%	6	4
10.00 to <100.00	90	12	61%	98	19.89%	23.63%	-	49	50%	4	5
100 (default)	118	4	76%	121	99.98%	59.40%	-	41	34%	68	79
Sub-total	**3,514**	**621**	**53%**	**3,840**	**4.86%**	**21.85%**	**-**	**616**	**16%**	**82**	**91**
3.3.a.) Of which: SMEs											
0 to <0.15	-	-	0%	-	0.00%	0.00%	-	-	0%	-	-
0.15 to <0.25	60	18	43%	68	0.19%	19.33%	-	4	6%	0	0
0.25 to <0.50	417	51	38%	436	0.35%	19.12%	-	41	9%	0	0
0.50 to <0.75	210	28	42%	222	0.64%	18.96%	-	29	13%	0	0
0.75 to <2.50	480	53	39%	500	1.43%	19.28%	-	91	18%	1	1
2.50 to <10.00	405	48	45%	427	5.37%	19.27%	-	103	24%	4	2
10.00 to <100.00	43	7	42%	46	22.15%	19.42%	-	17	37%	2	2
100 (default)	49	3	72%	51	100.01%	57.01%	-	24	47%	27	28
Sub-total	**1,664**	**208**	**41%**	**1,750**	**5.39%**	**20.30%**	**-**	**309**	**18%**	**36**	**34**
3.3.b.) Of which: Non-SMEs											
0 to <0.15	793	186	58%	901	0.08%	21.50%	-	46	5%	0	0
0.15 to <0.25	188	36	54%	208	0.20%	19.17%	-	17	8%	0	0
0.25 to <0.50	270	46	59%	298	0.33%	20.81%	-	36	12%	0	0
0.50 to <0.75	119	32	65%	140	0.56%	25.31%	-	29	21%	0	0
0.75 to <2.50	251	81	55%	296	1.50%	22.45%	-	82	28%	1	1
2.50 to <10.00	112	25	58%	126	4.74%	23.45%	-	47	37%	1	2
10.00 to <100.00	47	6	85%	52	17.87%	27.27%	-	32	61%	3	3
100 (default)	69	1	81%	70	99.96%	61.16%	-	17	25%	41	50
Sub-total	**1,850**	**412**	**58%**	**2,090**	**4.41%**	**23.14%**	**-**	**307**	**15%**	**47**	**57**
TOTAL	**14,592**	**1,847**	**39%**	**15,304**	**3.23%**	**22.23%**	**2.50**	**2,891**	**19%**	**189**	**196**

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, using an internal-ratings based approach. 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 1.26%. 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, the CNCM model validation function 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 39: 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 3 document published by Confédération Nationale du Crédit Mutuel).

TABLE 40: 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 3 document published by Confédération Nationale du Crédit Mutuel).

TABLE 41: INTERNAL RATINGS-BASED APPROACH (SPECIALIZED LENDING AND EQUITIES) – (CR10) – AT 12/31/2020

Equities under the simple risk weight approach
In € millions

Categories	Weighting	Exposure amount	RWAs	Capital requirements
Private equity exposures	190%	22	43	3
Exchange-traded equity exposures	290%	-	-	-
Other equity exposures	351%	1,570	5,518	441
TOTAL		**1,592**	**5,561**	**445**

Other equity exposures comprise the group's significant interests in the financial sector (weighted at 250%) totaling €243 million as well as the other equity exposures totaling €1,327 million, including €1,024 million in respect of the interest in Groupe des Assurances du Crédit Mutuel (GACM).

4.8 COUNTERPARTY RISK

Qualitative information on counterparty credit risk

CCRA – Qualitative disclosure requirements related to CCR

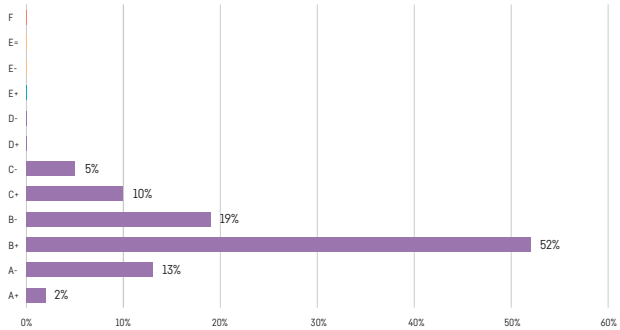
Counterparty risk management applies to all the CMNE group and its entities operating in the markets. It is divided into:

- banking counterparty risk;
- corporate counterparty risk; and
- sovereign risk.

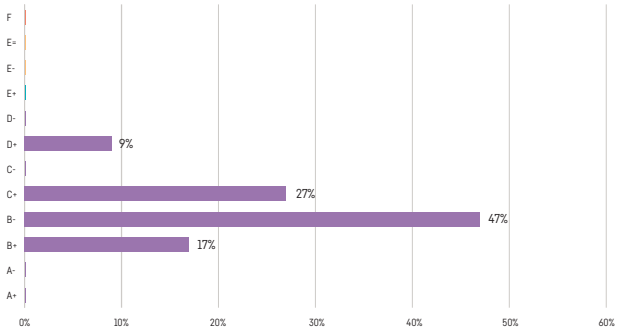
The breakdown of the consolidated outstandings by counterparty category at December 31, 2020 is as follows:

TABLE 42: BREAKDOWN OF OUTSTANDINGS BY COUNTERPARTY CATEGORY – AT 12/31/2020

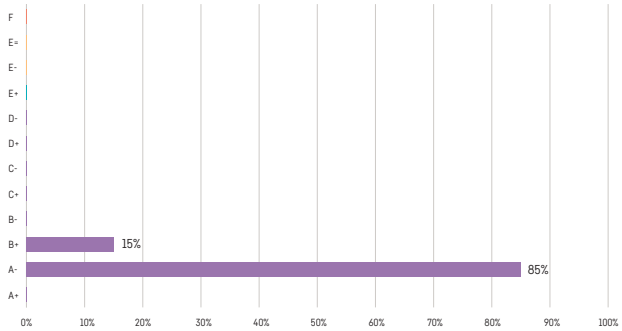
FINANCIAL INSTITUTIONS (58%)
€1,207 million



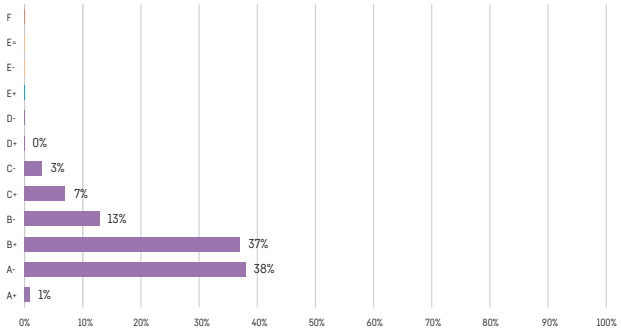
CORPORATES (6%)
€116 million



SOVEREIGNS (36%)
€743 million



TOTAL OUTSTANDINGS
€2,066 million



The operational management of investment limits and conditions is governed by the document "Financial Markets Transactions – CMNE group". This document sets forth the limits put in place and the monitoring thereof.

The rules defined are based both on national principles (national banking guidelines, internal ratings, etc.) and on the principles specific to the CMNE group (with regard to capital, maturity, external rating agencies) in compliance with sound and prudent management practices. Based on the principle of exclusion, anything that is not mentioned as authorized in this policy is prohibited.

Sectoral policies

CMNE is central to Crédit Mutuel's group overall strategy. To this end, four specific policies have been implemented within CMNE group. These cover:

- The mining sector;
- The coal-fired power plant sector;
- The defense sector;
- The civil nuclear energy sector.

Any investment must meet the requirements of these policies and be subject to a non-contraindication assessment. The data sheets of the group risk management department take into account sectoral criteria. Sector and concentration monitoring is carried out to ensure compliance on a regular basis.

Bank unit concentration

This national indicator is used by all Crédit Mutuel groups at the regional level. It is presented every quarter by the group risk management department. It indicates the number of threshold crossings regarding CMNE group's exposure to OECD banks.

All transactions carried out by the financial activities department for the purposes of its proprietary management, or entrusted to the La Française group 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 four 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 the 2020 fiscal year, the capital allocation to capital markets remained unchanged at €400 million for the banking book and also identical at €50 million for the trading book (Although there is a budget for the trading book, it was not used in 2020, and its amount was reduced to €5 million as of January 1, 2021).

Proprietary trading activity is divided into two parts:

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

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

TABLE 43: ANALYSIS OF THE COUNTERPARTY RISK (CCR) EXPOSURE BY APPROACH – (CCR1) – AT 12/31/2020

	a	b	c	d	e	f	g
In € millions	Notional amounts	Replacement cost/ current market value	Potential future credit exposure	Effective expected positive exposure (EEPE)	Multiplier	EAD post-CRM	RWAs
1 Mark to Market		76	83			101	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 44: CVA CAPITAL REQUIREMENTS – (CCR2) – AT 12/31/2020

		a	b
In € millions		Amount of exposure	RWAs
1	**TOTAL PORTFOLIOS SUBJECT TO THE CVA ADVANCED METHOD**	**-**	**-**
2	i) VaR component (including the 3x multiplier)	-	-
3	ii) Stressed VaR (SVaR) component (including the 3x multiplier)	-	-
4	**TOTAL PORTFOLIOS SUBJECT TO THE CVA STANDARDIZED METHOD**	**55**	**55**
EU4	**TOTAL BASED ON THE ORIGINAL EXPOSURE METHOD**	**-**	**-**
5	**TOTAL SUBJECT TO CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL REQUIREMENTS**	**55**	**55**

Until the end of 2019, the CVA resulted mainly from the activity of LFGI, a subsidiary of the La Française group and of the CMNE group. This subsidiary was absorbed by Caisse Fédérale du CMNE in 2020.

TABLE 45: STANDARDIZED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND BY RISK WEIGHTING – (RCC3) – AT 12/31/2020

Exposure classes		Risk weight											
In € millions		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	-	-	-	-	-	0	-	-	-	-	-	0
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail customers	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other assets	-	-	-	-	-	-	-	-	-	-	-	-
11	**TOTAL**	**-**	**-**	**-**	**-**	**-**	**0**	**-**	**-**	**-**	**-**	**-**	**0**

TABLE 46: IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AND BY PD SCALE – (RCC4) – AT 12/31/2020

In € millions	a	b	d	e	f	g
PD scale	EAD post-CRM	Average PD	Average LGD	Average maturity	RWAs	RWA density
GOVERNMENTS AND CENTRAL BANKS						
TOTAL	**0**	**0%**	**0%**	**0**	**0**	**0%**
CREDIT INSTITUTIONS						
0 to <0.15	98.2	0.06%	45.00%	2.5	32.6	33%
0.15 to <0.25	1.2	0.23%	45.00%	2.5	0.8	70%
0.25 to <0.50	1.3	0.44%	45.00%	2.5	1.2	95%
0.50 to <0.75						
0.75 to <2.50						
2.50 to <10.00						
10.00 to <100.00						
100 (default)						
TOTAL	**100.7**	**0.07%**	**45.00%**	**2.5**	**34.6**	**34%**

4.9 CREDIT RISK MITIGATION TECHNIQUES

Qualitative information on credit risk mitigation techniques

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.

4.9.1 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 to which it refers 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.

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.

4.9.2 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 guarantees 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, 2020, 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.

4.9.3 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 financing 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.

4.9.4 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 47: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW – (RC3) – AT 12/31/2020

		a	b	c	d	e
In € millions		Exposures unsecured – carrying amount	Secured exposures – carrying amount*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	26,282	205	205	-	-
2	Total debt securities	1,946	-	-	-	-
3	**TOTAL EXPOSURES**	**28,228**	**205**	**205**	**-**	**-**
4	of which in default	460	2	2	-	-

* *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 48: STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS – (CR4) – AT 12/31/2020

	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	RWAs	RWA density
1 Governments and central banks	1,645	-	1,846	0	96	5%
2 Regional governments or local authorities	202	0	202	0	3	1%
3 Public sector (public bodies excluding central governments)	2,706	1	2,706	0	-	0%
4 Multilateral development banks	-	-	-	-	-	0%
5 International organizations	0	-	0	-	-	0%
6 Credit institutions	234	-	238	-	65	27%
7 Corporates	82	19	82	9	72	79%
8 Retail customers	2,346	1,134	2,346	568	2,119	73%
9 Exposures secured by a mortgage on immovable property	3,205	92	3,201	46	1,527	47%
10 Exposure in default	291	7	291	7	335	113%
11 Exposures associated with particularly high risk	-	-	-	-	-	0%
12 Covered bonds	25	-	25	-	5	20%
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14 Exposures in the form of UCIT shares or equities	136	-	136	-	136	100%
15 Exposures to equities	56	-	56	-	56	100%
16 Other assets	405	-	405	-	382	94%
17 TOTAL	**11,331**	**1,254**	**11,532**	**631**	**4,795**	**39%**

TABLE 49: IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES – (RCC5-A) – AT 12/31/2020

	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	235	159	76	58	18
2 Resale agreements	4	4	-	-	-
3 Cross-product netting					
4 TOTAL	**239**	**163**	**76**	**58**	**18**

TABLE 50: COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR – (CCR5-B) – AT 12/31/2020

	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			
Types of collateral *In € millions*	Separate	Non-Separate	Separate	Non-Separate	Fair value of collateral received	Fair value of posted collateral
Cash		58		131		
Sovereign debt						
TOTAL		**58**		**131**		

4.10 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 51: EQUITIES – AT 12/31/2020

Values exposed to risk *In € millions*	
EQUITIES	
Internal ratings-based approach	1,592
• Private equity (190%)	22
• Significant holdings in the financial sector (250% weighting)	243
• Exposures to listed equities (290%)	-
• Other equity exposures (370%)	1,327
Standardized approach	191
of which private equity (150%)	-
EQUITY INVESTMENTS DEDUCTED FROM CAPITAL	
TOTAL UNREALIZED GAINS AND LOSSES INCLUDED IN CAPITAL	**86**
of which unrealized capital gains included in tier 2 capital	

4.11 SECURITIZATION

Section presenting qualitative information on securitization exposures, in accordance with Article 449 of the CRR.

4.11.1 Objectives

In connection with its capital market activities, the Crédit Mutuel Nord Europe group can operate in the securitization market by 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.

4.11.2 Control and monitoring procedures for capital market activities

Market risks in respect of the securitization positions are monitored by each regional group in respect of its own scope. In the event of outstandings, these groups are responsible for implementing a control system and the associated procedures.

The CMNE group had no securitization transactions as of December 31, 2020.

4.11.3 Credit risk hedging policies

The credit market activities traditionally cover the purchase of securities. Nevertheless, purchases of credit default swaps for hedging may be authorized and, as applicable, are governed by the capital market procedures.

4.11.4 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.

4.11.5 Accounting policies and methods

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.

4.12 CAPITAL MARKET RISK

Qualitative information on market risk (audited)

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.

TABLE 52: BREAKDOWN OF PORTFOLIOS – AT 12/31/2020

In € millions	Financial assets at fair value through profit of loss	Financial assets at fair value through other comprehensive income (OCI)	Securities at amortized cost	TOTAL
DEBT SECURITIES EXCLUDING GOVERNMENT SECURITIES				
1) FRANCE				
• France – investment	153	44	44	241
• France – liquidity portfolio		1,055		1,055
2) BELGIUM				
• Belgium – investment				-
• Belgium – liquidity		299		299
3) ALL REGIONS				
• IFRS 10 all divisions	26			26
• UCI – Banking book equities (excluding money market)	296			296
• UCI – Money market funds	300			300
• OPC – New investment funds and strategies	168			168
TOTAL DEBT SECURITIES EXCLUDING GOVERNMENT SECURITIES	**943**	**1,398**	**44**	**2,385**
GOVERNMENT SECURITIES				
• France – government securities		201		201
• Belgium – government securities		225		225
• Other Divisions – government securities				-
TOTAL GOVERNMENT SECURITIES	**-**	**426**	**-**	**426**
TOTAL DEBT SECURITIES	**943**	**1,824**	**44**	**2,811**

JARNA was no longer consolidated as of December 31, 2020. The government securities held by this company as of December 31, 2019 are no longer included.

4.12.1 Trading Book

The Trading Book is a portfolio comprising assets that are intended to be traded in the short or medium term. This portfolio is highly exposed to market risk as it is subject to various market fluctuations.

CMNE has no trading book assets. However, granting processes, limits and monitoring measures are implemented.

4.12.2 Banking Book

All securities held by the CMNE group are recorded in the Banking Book. Indeed, the CMNE group manages its financial assets over the medium/long term.

Disposals of securities before maturity are an exception and are linked to counterparty credit risk.

Beyond the regulatory and statutory limits, the CMNE group has implemented a more restrictive policy for financial markets transactions which ensures a sound allocation of assets by counterparty and by asset category.

CMNE has three portfolios in order to better manage liquidity market risk:

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.

This portfolio of liquid non-government securities totaled €1,055 million for Caisse Fédérale du CMNE and €299 million for Beobank.

Since the fourth quarter of 2020, Caisse Fédérale du CMNE no longer has a 3G pool at Banque de France. CMNE invests in the TLTRO through BFCM and no longer directly.

Arbitrage portfolio

Within this portfolio, CMNE holds a group of structured securities with a nominal value of €115 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, 2020, 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.

Due to the health crisis, this autocall pocket experienced strong fluctuations. At December 31, 2020, the unrealized capital loss on these positions amounted to €7.2 million compared to an unrealized capital loss of €2.9 million in 2019, *i.e.* a deterioration of an additional €4.3 million.

There were no losses recorded for the arbitrage portfolio in 2020.

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 €241 million, only in the case of the France division.

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. 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 €270 million at market value for Caisse Fédérale and €26 million for La Française group entities.

During the year, CMNE also invested 200 million for Caisse Fédérale du CMNE and 100 million for Beobank in money market funds, in order to invest a portion of its liquidity surpluses in vehicles that could be quickly capitalized.

The impact of the application of IFRS 10 amounted to €26 million.

New investment funds and strategies

The CMNE group has supported the launch of new funds and strategies within the La Française group. These products, which are governed by a specific policy and monitored with regard to risk appetite, are divided between Caisse Fédérale and the La Française group, for €100 million and €52 million as of December 31, 2020 respectively.

Beobank's finance committee also authorized a SEED budget of €20 million in the first half of 2020, for the launch of customer funds. The balance of this line was €16 million, at market value, as of December 31, 2020.

4.13 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 (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 banking entity has its risk analyzed by a specific finance committee on a quarterly basis.

The ALM committee, which is made up of members from financial 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 for the NPV in accordance with Article 98.5 of the CRD 4 and the principles defined by the Basel Committee (BCBS 368) transposed by the EBA or NIM management limits, in accordance with the national limit on interest rate risk approved by the board of directors of Confédération Nationale du Crédit Mutuel.

The limits on interest rate risk indicators for the consolidated scope are as follows:

- **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 the historical prudential NBI).

Monitoring of limits is governed by the information and escalation rules in the event of a breach.

At December 31, 2020, the CMNE group complied with the above.

4.14 OPERATIONAL RISK (AUDITED)

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 No. 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 No. 575/2013, model risks, compliance risk and corruption risk.

4.14.1 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 service within the risk management department 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 database 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 Order 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.

4.14.2 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 regulatory capital requirements in respect of operational risk (representing 65% of the total capital requirement in respect of CMNE's operational risk). The capital requirement 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 1 and Pillar 2.

4.14.3 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 (EBCPs).

Emergency and Business Continuity Plans are structured around three phases:

- the emergency plan: immediate, it 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 an EBCP. This is a reference document accessible to all teams concerned. It is applied by all regional groups.

4.14.4 Use of insurance techniques

The *Autorité de contrôle prudentiel et de résolution* (ACPR – 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 No. 575/2013 of the European Parliament and Council of June 26, 2013, concerning the deduction of insurance under the advanced measurement 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 2020 the CMNE group recognized losses net of insurance payouts and other recoveries totaling €3.1 million. This amount breaks down as follows:

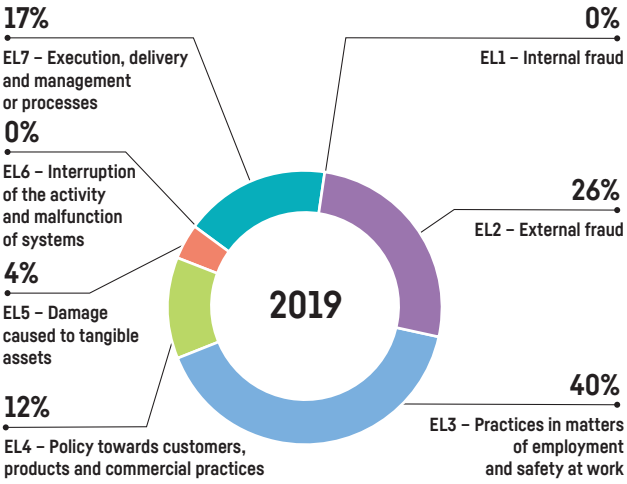
- €3.7 million of gross losses, including 58% for "Employment and occupational safety practices" (purchases amounting to over €1 million in the first half of the year for COVID-19 related supplies and protection equipment), 20% for "external fraud", 10% for "execution, delivery and process management", and 9% for "damage caused to tangible assets";
- €0.6 million of insurance payouts and other recoveries.

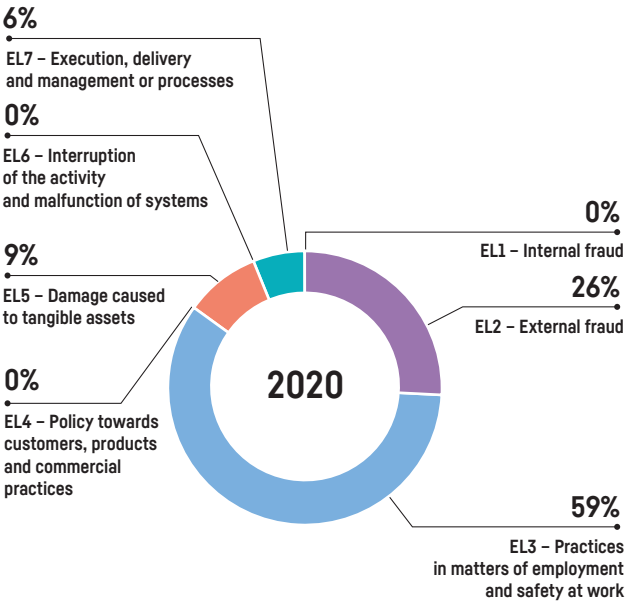
In addition, provisions at December 31, 2020, totaled €10.5 million (61% related to Bank – France), €5 million of which related to credit risk.

Capital requirements in respect of operational risk totaled €95.5 million (after deduction of insurance of €9.9 million).

TABLE 53 – ANNUAL LOSS (BASEL)

Gross losses and net provisions by amount, by line item.





4.15 LIQUIDITY RISK

Liquidity risk management (Audited)

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 the treasury committee (two operational committees of the finance 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 as part 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 (HQLAs) 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 2020, the CMNE group's consolidated LCR was 161% 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 132% at December 31, 2020, 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 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 the flight of customer deposits 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 flight of Retail and Corporate deposits). 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, 2020, CMNE's survival horizon was longer than one year. For information, CMNE considers that a deterioration of three or more notches in GCM's rating would not have a significant impact on its liquidity. Indeed, the transfer amounts negotiated between CFCMNE and its counterparties in margin call contracts have no connection with the rating; such amounts are set by the contract. With regard to refinancing on the market, raising the same amount by way of an issue would require an additional refinancing cost but would nevertheless remain possible.

In terms of refinancing, Caisse Fédérale du CMNE has two programs authorized by the Banque de France or the AMF for the issue of short-term marketable securities (Negotiable EUropean Commercial Paper – NEU CP of €2.5 billion) and medium-term marketable securities (€750 billion). The bond issue program was not renewed in 2020.

During fiscal year 2020, Caisse Fédérale du CMNE repaid €450 million in advance of the June 2016 TLTRO II, and invested €540 million in TLTRO III through BFCM. Accordingly, the collateral is now granted to BFCM.

COVID-19 health crisis

SMM procedure

As part of the weekly emergency SMM procedure introduced at the end of April by the ECB (financial crisis linked to the health context), the front office and liquidity and collateral management (LCM) departments set up a periodic SSM report (weekly until July 2020 and then monthly). The portion of liquidity reserves of the group's banking entities that was previously part of the ILAAP was removed from this reporting in June 2020 because it was included in these SSM reports.

The data sent to the ECB are subject to automated controls during the fiscal year, and to subsequent controls by CNCM's permanent control function. The short crisis experienced by interest rates in connection with the health situation had no effect on the refinancing of the CMNE group.

CFP triggering

On March 11, 2020, CMNE launched its emergency liquidity plan to anticipate the operational effects of the pandemic, although the liquidity position did not constitute an indicator for triggering such an alert.

The group risk management department reported on this to the CNCM's risk department.

TABLE 54: LIQUIDITY RESERVES – AT 12/13/2020

In € millions	Amount after discount	Amount before discount
LCR buffer	2,468	2,494
of which available deposits in central banks	1,570	1,570
Eligible amount: central banks, non-LCR eligible		
Other liquidity reserves (market liquidity)	2,393	3,465
TOTAL	**4,861**	**5,959**

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 (HQLAs);
- available securities that can be rapidly monetized on the market by means of a sale or a repurchase agreement or securities eligible for central bank refinancing that may be capitalized through BFCM following the closure of the 3G pool.

CMNE group maintains an oustanding amount of liquid securities of around €3.46 billion, including €3.37 billion with Caisse Fédérale du CMNE and €91 million with Beobank.

TABLE 55: AVERAGE MATURITY OF SHORT-TERM DEBT – AT 12/31/2020

Year-end stock *In € millions*	
Total amount of short-term refinancing	538
Average residual maturity in number of days	69

On the NEU CP market, CMNE obtains refinancing over periods that are generally less than six months. In the context of an increase in customer deposits and an investment in TLTRO III of €540 million through BFCM, CMNE did not renew part of its short-term outstandings.

TABLE 56: SHORT-TERM REFINANCING ON THE MARKETS – AT 12/31/2020

Year-end stock *In € millions*	
ST refinancing raised during 2020	955
ST refinancing maturities during 2020	1,346
Renewal rate of maturing refinancing (amounts raised/maturing)	71%

TABLE 57: MLT REFINANCING: EXPECTED MATURING AMOUNTS BY YEAR – AT 12/31/2020

In € millions		Maturity schedule											
Types of instruments		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	>2030	Total
Origin: CM group				540									540
Outside CM group	Senior (borrowings, bonds, MTN and EMTN)	577	31	52	45	47	38	26	40	102			957
	CRH	60	155	78		90	35	40	89	78		35	660
	LTRO/TLTRO												
	Subordinated loans (deeply subordinated notes and subordinated notes)				42	55	475	40			200		812
TOTAL MLT WHOLESALE FUNDING		**637**	**186**	**670**	**86**	**192**	**548**	**106**	**129**	**180**	**200**	**35**	**2,968**

For the purposes of adopting a prudent approach regarding its liabilities, CMNE retains by agreement the first maturity date for its Autocall options.

TABLE 58: MLT ISSUE DURING 2020

In € millions				Maturity schedule										
Types of instruments		Amount	Average maturity *(in years)*	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	>2030
2020 transactions	Senior													
	TLTRO by BFCM	540	3			540								
	Subordinated loans (deeply subordinated notes and subordinated notes)													
	CRH	164	9							40	89			35
TOTAL		**704**				**540**				**40**	**89**			**35**

Regulatory liquidity ratios

TABLE 59: SHORT-TERM LIQUIDITY COVERAGE RATIO (LCR) – (LIQ1.18)

		Unweighted value		Weighted value	
In € millions		09/30/2020	12/31/2020	09/30/2020	12/31/2020
Number of points used to calculate averages		12	12	12	12
HIGH QUALITY LIQUID ASSETS (HQLAS)					
1	**TOTAL HIGH QUALITY LIQUID ASSETS (HQLAS)**			**2,076**	**2,187**
CASH OUTFLOWS					
2	Retail deposits (including deposits from small business customers)	18,094	18,539	1,149	1,177
3	*– of which stable deposits*	*13,814*	*14,219*	*691*	*711*
4	*– of which less stable deposits*	*4,224*	*4,236*	*458*	*465*
5	Funding not secured by non-retail counterparties	1,050	963	586	545
6	*– of which operational deposits*	*288*	*240*	*69*	*57*
7	*– of which non-operational deposits*	*615*	*588*	*370*	*354*
8	*– of which un-collateralized debt*	*147*	*134*	*147*	*134*
9	Funding secured by non-retail counterparties (including repos)	-	-	-	-
10	Additional requirements	2,827	2,860	264	267
11	*– of which outflows related to derivatives exposures and other collateral requirements*	*79*	*79*	*79*	*79*
12	*– of which collateralized debt outflows*	-	-	-	-
13	*– of which credit and liquidity facilities*	*2,748*	*2,782*	*184*	*188*
14	Other contractual funding obligations	23	24	23	24
15	Other contingent funding obligations	2	1	0	0
16	**TOTAL CASH OUTFLOWS**			**2,021**	**2,013**
CASH INFLOWS					
17	Secured lending (including reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	613	620	407	412
19	Other cash inflows	289	269	278	264
20	**TOTAL CASH INFLOWS**	**902**	**889**	**685**	**675**
EU-20c	Cash inflows subject to 75% cap	915	909	687	679
21	Liquidity buffer			2,076	2,187
22	**TOTAL NET CASH OUTFLOWS**			**1,393**	**1,429**
23	Liquidity Coverage Ratio *(%)*			155%	164%

The CMNE group's monthly average LCR was 164% in 2020, which represents surplus liquidity of nearly €850 million as compared with the regulatory requirements when fully applied. The ratio is managed when it exceeds 110%. In 2020, the monthly average liquid assets after application of the regulatory discounts (weighted value) totaled €2.2 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 group risk management department;
- maximum holding of 5% of the issue amount for public issues;
- maximum amount of €71 million, representing less than 5% of the total liquidity buffer to be set up (€1,429 million).

Net cash outflows at 30 days under the regulatory stress scenario totaled on average €1.4 billion in 2020.

TABLE 60: MATURITY ANALYSIS OF THE PRUDENTIAL BALANCE SHEET – AT 12/31/2020

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	-	-	1	0	97	2	-	100
Financial assets at fair value through profit or loss	-	-	11	41	26	75	790	944
Financial assets at fair value through equity – recyclable	44	79	444	362	768	126	-	1,822
Financial assets at fair value through equity – non-recyclable	-	-	-	-	-	-	48	48
Securities at amortized cost	10	30	-	-	-	-	4	44
Loans and receivables (including finance leases)	1,871	546	1,868	1,981	5,446	10,132	4	21,846
LIABILITIES								
Central bank deposits	-	-	-	-	-	-	-	-
Financial liabilities held for trading	0	-	0	0	101	0	0	102
Financial liabilities at fair value through profit or loss	-	-	53	-	-	-	-	53
Financial liabilities carried at amortized cost	18,582	531	538	354	2,321	1,905	40	24,271

4.16 NON-COMPLIANCE RISK (AUDITED)

4.16.1 Definition

The Order 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".

4.16.2 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 French Bankinsurance, Belgian Bankinsurance 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.

4.16.3 Achievements/work

The year 2020 was devoted to continuing work on optimizing the anti-money laundering and anti-terrorist financing system. As such, the customer risk acceptance policy was adopted and configured in the information system.

In addition to the continuation of the essential usual activities of the group compliance department, namely the approval of new products or activities, the centralization of malfunctions and regulatory monitoring, major projects have been carried out by it in various areas, and activities relating to the updating of the mapping of non-compliance risks, the adaptation of the system for detecting financially vulnerable customers and the finalization of the anti-corruption system.

4.17 INSURANCE AND INVESTMENT RISK

The Confédération Nationale du Crédit Mutuel was designated as a financial conglomerate by the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) in a letter dated December 16, 2005. It operates as a financial conglomerate *via* Groupe des Assurances du Crédit Mutuel (GACM, a subsidiary of Crédit Mutuel Alliance Fédérale 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 its 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 take into account the occurrence 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 this chapter 4 "Risks and capital adequacy – Pillar 3").

4.18 UNENCUMBERED ASSETS

4.18.1 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, 2020, the amount and characteristics of encumbered and unencumbered assets for the CMNE group broke down as follows:

TABLE 61: ENCUMBERED ASSETS AND UNENCUMBERED ASSETS (TEMPLATE A) – AT 12/31/2020

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**	**1,589**		**26,599**	
030	Equity instruments	-	-	387	390
040	Debt securities	519	519	2,242	2,222
050	*– of which covered bonds*	-	-	-	-
060	*– of which asset-backed securities*	-	-	-	-
070	*– of which issued by public administrations*	*102*	*102*	*682*	*741*
080	*– of which issued by financial enterprises*	*418*	*418*	*1,368*	*1,309*
090	*– of which issued by non-financial enterprises*	-	-	*202*	*182*
120	Other assets	1,070		24,115	

Median values of quarter-end data for the year under review.

TABLE 62: COLLATERAL RECEIVED (TEMPLATE B) – AT 12/31/2020

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	69	-
140	Demand loans	5	-
150	Equity instruments	-	-
160	Debt securities	-	-
170	*– of which covered bonds*	-	-
180	*– of which asset-backed securities*	-	-
190	*– of which issued by public administrations*	-	-
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	69	-
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**	**1,661**	

Median values of quarter-end data for the year under review.

TABLE 63: CARRYING AMOUNT OF ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES (MODEL C) – AT 12/31/2020

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	1,421	1,646

Median values of quarter-end data for the year under review.

4.18.2 Information on the scale of the expenses relating to the assets

At December 31, 2020, the sources of asset encumbrance related mainly to TLTRO transactions with BFCM and loans from Caisse de Refinancement de l'Habitat (CRH). These transactions are all secured by home loans.

4.19 CORPORATE GOVERNANCE AND COMPENSATION POLICY (AUDITED)

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.

4.19.1 Comitology

The Crédit Mutuel Nord Europe group has set up a number of specialized committees within its governance structure including:

- 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 assesses 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 2020, it met on January 27.

- 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 compensation of the Caisse Fédérale's corporate officers. The committee also examines the compensation of executive managers who are not corporate officers and defines the principles governing the compensation of the corporate officers of the main group companies. The remuneration committee operates under internal regulations. In 2020, it met on March 16 and June 15.

4.19.2 Characteristics of the compensation policy

The characteristics of the compensation 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 compensation 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 compensation.

The compensation system for employees of Caisse Fédérale, the parent entity and main employer of the group, including senior management and members of the management 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 compensation of effective managers and corporate officers consists of fixed and variable compensation as well as indemnities for the various corporate offices held in Belgium.

- For group subsidiaries

The compensation of the corporate officers of the group's subsidiaries is governed by the following principles:

- fixed compensation 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 compensation 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.

4.19.3 Compliance statement with CMNE's group compensation policy

On March 15, 2021, the federal risk committee conducted a formal review of the incentives set forth in the compensation policy and practices, to ensure that they are consistent with the risk profile and risk appetite of the institutions in question. This annual assessment is performed on the compensation policy at CMNE group level pursuant to the ECB's recommendations.

The group compliance department issued a favorable opinion to the remuneration committee and informed the risk committee accordingly. More specifically, the compliance department examined the CMNE group's compensation policy and practices, with regard to regulatory requirements and the risk appetite framework:

- list of members of the regulated population pursuant to Regulation (EU) No. 604/2014 and Article L.511-71 of the French Monetary and Financial Code;
- compensation mechanisms and incentives used pursuant to Articles L.511-76 to L.511-85 of the French Monetary and Financial Code.

The CMNE group has a compensation policy that is updated annually following the recommendation of the remuneration committee and approved by CFCMNE's board of directors. In line with the values of the group's governance, this policy reflects compliance with the regulations applicable to compensation, mainly Articles L.511-71 to L.511-88 of the French Monetary and Financial Code, updated with the latest transpositions (see CRD 5).

The updating procedure for the list of members of the regulated population carried out at the beginning of 2021 on the basis of December 31, 2020 takes into account the ECB's recommendations on the stricter application of quantitative and qualitative identification criteria (cf. EU Delegated Regulation 604/2014). The regulated population of the CMNE group thus stood at 105 people at December 31, 2020, approved by the compliance department.

The compensation mechanisms used by the CMNE group and its entities comply with the rules on incentives, calculation, caps, composition and payment terms for variable compensation. In accordance with Article L.511-77, the mechanisms for the payment of variable compensation take into account the performance and risks of CMNE group entities.

The risk committee issued a favorable opinion on the compliance of the incentives set forth in the compensation policy and practices with the risk appetite framework.

TABLE 64: SUMMARY OF COMPENSATION AWARDED DURING THE FISCAL YEAR – (REM1) – AT 12/31/2020

In €		Management	Other members of the identified population
FIXED COMPENSATION AWARDED DURING THE YEAR			
1	**Number of employees**	**23**	**82**
2	**Total fixed compensation (3 + 5a and 5b + 7)**	**€2,237,038**	**€11,632,709**
3	Of which: compensation in cash	€2,237,038	€11,632,709
5a	Of which: shares and equivalent ownership rights	€0	€0
5b	Of which: other instruments associated with shares and other equivalent non-cash instruments	€0	€0
7	Of which: other types of compensation	€0	€0
VARIABLE COMPENSATION AWARDED DURING THE YEAR			
9	**Number of employees**	**7**	**65**
10	**Total variable compensation (11 + 13a and 13b + 15)**	**€263,240**	**€3,766,674**
11	Of which: compensation in cash	€263,240	€3,766,674
12	Of which: deferred compensation	€94,950	€0
13a	Of which: shares and equivalent ownership rights	€0	€0
14a	Of which: deferred compensation	€0	€0
13b	Of which: other instruments associated with shares and other equivalent non-cash instruments	€0	€0
14b	Of which: deferred compensation	€0	€0
15	Of which: other types of compensation	€0	€0
16	Of which: deferred compensation	€0	€0
17	**TOTAL COMPENSATION AWARDED DURING THE YEAR (2 + 10)**	**€2,500,278**	**€15,399,383**

TABLE 65: SPECIAL PAYMENTS DURING THE YEAR – (REM2) – AT 12/31/2020

No special payments were made within the CMNE group during the 2020 fiscal year.

TABLE 66: DEFERRED COMPENSATION SUBJECT TO LOCK-UP PERIOD – (REM3) – AT 12/31/2020

	Deferred compensation not yet paid at the reporting date (vested in respect of previous years N-1 and prior)		Operations that took place in year N (including compensation that will not be paid in N)		Compensation paid in year N
	a	b	c	d	e
In €	Total amount of deferred compensation outstanding	Of which: Total amount of deferred compensation subject to a lock-up period that may be subject to an implicit or explicit *ex-post* adjustment	Total amount of changes during the year related to explicit *ex-post* adjustments	Total amount of changes during the year related to implicit *ex-post* adjustments	Total amount of deferred compensation paid during the year
Management	**€186,412**	**€186,412**	**€113,240**	**€15,504**	**€113,239**
• Cash	€186,412	€186,412	€113,240	€15,504	€113,239
• Shares and equivalent ownership rights	€0	€0	€0	€0	€0
• Other instruments associated with shares and other equivalent non-cash instruments	€0	€0	€0	€0	€0
• Other	€0	€0	€0	€0	€0
Other members of the identified population	**€2,168,500**	**€0**	**€0**	**€0**	**€0**
• Cash	€0	€0	€0	€0	€0
• Shares and equivalent ownership rights	€2,168,500	€0	€0	€0	€0
• Other instruments associated with shares and other equivalent non-cash instruments	€0	€0	€0	€0	€0
• Other	€0	€0	€0	€0	€0
TOTAL	**€2,354,912**	**€186,412**	**€113,240**	**€15,504**	**€113,239**

TABLE 67: HIGH SALARIES – (REM4) – AT 12/31/2020

In 2020, CMNE did not pay any compensation in excess of €1 million.

TABLE 68: BREAKDOWN OF IDENTIFIED POPULATION BY AREA OF ACTIVITY – (EMN5) – AT 12/31/2020

		c	d	e	f	h	g	i
			Fields of activity					
In €		Management	Investment banking	Retail banking	Asset management	Internal control functions	"Corporate functions"	Other
1	**Total number of members in the identified population**				105 members in total			
2	Including members of the management body	23						
3	Including members of Executive Management		0	3	8	2	1	0
4	Including other members of the identified population		0	7	7	18	36	0
5	**Total compensation of the identified population**	**€2,500,278**	**€0**	**€1,970,122**	**€4,997,720**	**€2,861,618**	**€5,569,923**	**€0**
6	Of which variable compensation	€263,240	€0	€434,274	€1,735,000	€457,500	€1,139,900	€0
7	Of which fixed compensation	€2,237,038	€0	€1,535,848	€3,262,720	€2,404,118	€4,430,023	€0

4.20 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 4 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 RWAs.
RWAs	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: RWAs = 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 Credit Risk
CET1	Common Equity Tier 1
CFP	Contingency funding plan
CNCM	Confédération Nationale du Crédit Mutuel
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
ER	External Ratings
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)
ICAAP	Internal Capital Adequacy Assessment Process
IDD	Insurance Distribution Directive
IID	Insurance Intermediation Directive

Acronym	Meaning
ILAAP	Internal Liquidity Adequacy Assessment Process
IMM	Internal Model Method
IRBA	Internal Rating Based Advanced
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
OSR	Overall Solvency Requirement
PEPs	Politically Exposed Persons
PRIIPs	Packaged Retail and Insurance-based Investment Products
PUPA	*Plan d'urgence et de poursuite d'activité* (Emergency and Business Continuity Plan)
RSR	Regular Supervisory Report
RWA	Risk Weighted Assets
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
TSR	Redeemable Subordinated Notes
TSS	Deeply subordinated notes

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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

Naturally involved in its local communities, the Crédit Mutuel Nord Europe group is addressing this health crisis in keeping with its founding values of proximity, solidarity and responsibility. Our cooperative culture is genuinely reflected in concrete actions: helping, supporting, communicating, innovating. With this in mind, from the start of this pandemic, the group immediately mobilized and revealed the true meaning of its commitment: listen to its customers experiencing difficulties, support them and offer appropriate solutions.

This chapter dedicated to our CSR strategy provides a review of the unwavering commitment of elected officials and teams at all levels of the company. Faced with the dramatic consequences of this crisis, the group is fully committed to its role of solidarity ambassador, thereby affirming its values and its strong local presence. The crisis has given us a more supportive and united vision of our society and based on these values, we will make every effort to help our regions in their economic and societal recovery. More than ever, we are seeking to bring back trust, contribute to an economy that is responsible and protects future generations. We also imagine that this post-crisis world will introduce strong environmental policies and rise to the challenge of climate change. There is only one step from economics to ecology, one that the CMNE group naturally takes through the numerous initiatives and concrete actions described here. Because there is nothing more natural for a mutualist group, which focuses on the common good, to contribute towards responsible and sustainable development.

Olivier OGER
Chairman

Éric CHARPENTIER
Chief executive officer

5.2 REVIEW OF 2020

January	Call for projects of the Fondation CMNE on short supply chains and the circular economy Call for projects of the Fondation CMNE dedicated to employees on the theme of Solidarity Launch of the DEAFI solution to make our products and services more accessible to our deaf and hearing-impaired customers, both remotely and in branches
February	Signature of a new salary agreement Crédit Mutuel ranked "Best 2020 employer" by *Capital* magazine. The Fondation CMNE officially sponsors the William Kentridge exhibition at the LaM in Villeneuve-d'Ascq
March	Gender diversity week is held on the theme of professional ambition Publication of two guides on social media best practices and personal data management Launch of workshops on the prevention and management of incivilities Support for companies with State-Guaranteed Loans
April	Release of a video saga entitled "mobilized together" to recognize the involvement of employees during lockdown Partnership with the Artips general knowledge platform Implementation of the free e-withdrawal banking solution
May	Organization of the shareholders' meetings of local banks and federal shareholders' meeting remotely
June	Launch by La Française of the first wine-growing REIT Organization of the Quality of Life at Work Week in digital format Setting up of video appointments for customers
July	Extension of remote working conditions for head office employees Creation of a single point of contact for CSR communication
September	Support for the *Entrepreneurs dans la Ville* initiative Participation in the European Week for Mobility Renewal of the partnership with LOSC for two seasons Organization of Cyber CleanUp Week during the European Week for Sustainable Development Launch of a Paper-free challenge for local banks with the electronic signature
October	Establishment of the Fondation's fourth priority area dedicated to the Environment Signature of an agreement to prevent incivilities and assault Financial aid for the Institut Pasteur in the amount of €180,000 to support research against COVID-19
November	Participation in the European Week for Waste Reduction Participation in Disability Week
December	Launch of workshops on parenting Change of energy supplier: Plüm Energie becomes CMNE's 100% green supplier

5.3 CMNE GROUP BUSINESS MODEL

Our resources

MEN AND WOMEN

3,953 employees

1,304 elected directors

1.7 million customer-members

A LOCAL NETWORK

515 branches
2,917 in France and 218 in Belgium

417 ATMs

25.2 % branches in rural areas

FINANCIAL

€3.519 million in capital

€765 million in net banking income

INNOVATION

Watson
Virtual assistant for advisors[1]

CMNE Lab
Digital and collaborative platform[1]

MULTI-CHANNEL

Video appointment[1]

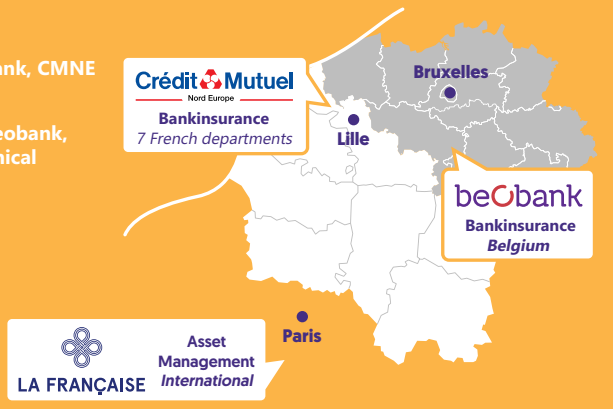
6 regionally-based customer relations centers [1]

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 customer-members,
- serving the real economy and the life of the regions,
- involved in societal and environmental issues.



Our customers

- Individuals: **90.2%**
- Professionnals : **4.5 %**
- Farmers : **1.4 %**
- Associations : **3.3%**
- Others : **0.5%**

Our value creation

SUPPORT FOR REGIONS[1]

Support fund to provide financial aid to the **Institut Pasteur de Lille** in its research work against COVID-19, and to support more than 310 local structures that help people made vulnerable by the crisis.
Call for projects from the Fondation Crédit Mutuel Nord Europe "imagining the world after, taking action for the most vulnerable".
Support for **sports and cultural projects** in its regions.

SOLID FINANCIAL FUNDAMENTALS

Solvency ratio of 24.5%.

SKILLS DEVELOPMENT

Budget of **4.66%** of payroll expense for training.
94.2% of employees trained
50% of training conducted remotely[1].
Establishment of a **Group Data Structure common** to CMNE and Beobank, to develop a cross-functional data policy and culture.

WORKPLACE WELL-BEING

Widespread remote working across all business lines.
Assault and incivility agreement to protect customer service managers.
Workplace equality agreement renewed in 2020.
Beobank awarded the international **Top employer label.**

SUPPORTING OUR CUSTOMERS[1]

State-Guaranteed Loans (SGLs), deferred maturities, new internal organization to address customer needs in an effective and timely manner during the crisis.
Customer satisfaction of **4.47/5.**

SOCIETAL AND ENVIRONMENTAL COMMITMENT

€8.9 billion La Française SRI assets under management[2].
€935,529 granted by the Fondation CMNE.
100% green energy at CMNE.

The 2020 data are for the Group's scope of consolidation, except for: [1] CMNE scope and [2] La Française scope.

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: to be a responsible bank insurer to all our stakeholders and assume the role of regional 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 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 four 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, digitization, etc.) and helping to reduce the carbon footprint of our financing;
- **Human Resources:** Enabling all its employees to receive training, feel fulfilled and advanced 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 conduct 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, video appointments	• 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 CFCMNE
	• 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 • Fondation CMNE	• 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 • 100% green energy supplier • Greenhouse gas emissions assessment • Environmentally-friendly behaviors • Awareness-raising initiatives – communication • Recycling: Elise partnership • Electronic signature • 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, misconduct, failure to comply with regulations • Risk of poor advice • Risk of non-compliance with regulations	• Training program • Digitalization of training: MOOC, e-learning, remote learning library	• % 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 • Agreement on the prevention of incivilities and assault	• 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	• 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 Counter-Terrorist Financing (AML-CTF) • Policy on fighting tax evasion • Anti-corruption and internal fraud policy	• % of CFCMNE employees trained in AML-CTF

CFCMNE: Caisse Fédérale du Crédit Mutuel Nord Europe.

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 (KPIs) were identified, both at Caisse Fédérale du Crédit Mutuel Nord Europe, and at Group level.

Regions

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.

Major risks 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.

KPIs

- 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.

KPIs

- 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 employee mobility opportunities and skills.

Major risks identified

- Lack of training;
- Employee demobilization.

KPIs

- % 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. CMNE can stands out for its mutualist identity.

Major risks identified

- Lack of training of elected representatives;
- Non-compliance with regulatory procedures.

KPIs

- 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 bank, the CMNE group promotes and supports economic growth, employment and innovation across its regions through financing, investments and involvement in different economic ecosystems. During the health crisis, CMNE has mobilized to provide support and solutions to all of its customers. Thanks to the strength of its cooperative model, its established presence, its regional network, and the very strong relationship between its customers and their advisors, CMNE has always been a trusted partner during this disrupted period. Committed, the group is ready to fully take on its role to support the economic recovery in its regions over the long term.

- **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	2020	2019	Comments
Change in average response time for complaints	10 days	12.37 days	• Proactive approach to identifying 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	99.5%	99.42%	• Increase in IT system reliability as a result of pooling resources with Euro-Information
Change in budget allocated to partnerships and sponsorships	€2.05m	€3.24m	• Cancellation of numerous events due to the pandemic
Number of microloan applications approved during the year	258	402	• The goal is to do better in terms of "quality rather than quantity" • Total amount: €548,000 in 2020

- **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, code of conduct 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.

(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.

A united group to address the health crisis

Adapt

When the health crisis and lockdown crippled the economy, banks were requested to take on a supportive role. For the CMNE group, the challenge was first and foremost to guarantee the safety of its employees and maintain core activities. This health crisis clearly illustrated the key role of banking services and how useful they were for customers in their everyday lives, for regions and the functioning of the economy. Tools had to be adapted to enable customers to stay in touch with their bank.

The business support teams, located at head offices, worked remotely from the first lockdown. Strict health protocols have been put in place in the branches and in all premises. Remote working became standard. The two lockdowns deeply affected the organization and all employees demonstrated their ability to adapt.

The access to remote services was a critical focus: Customer Relations Centers experienced a surge of calls and there was an intensive use of remote banking services, while the physical attendance in branches was lower. Despite an increasing number of calls, the quality of calls received was close to usual rates. Very quickly and in order to ensure the safety of these employees, some were equipped and trained to receive calls from home.

Almost all of the local banks and branches in Belgium remained open thanks to new processes and shift planning.

Help

As soon as the lockdown was announced, the priority for French banks, and therefore for CMNE, was to support professionals, entities of all sizes, particularly VSEs/SMEs, affected by a sudden economic shutdown. CMNE provided them support at an early stage to help them bridge cash flow gaps and make it through the crisis. In only a few days, CMNE took up the challenge of setting up State-guaranteed loans (SGLs), with IT tools, massive training of advisors, and the dissemination of useful information to customers. More than 3,400 SGLs were granted to professional customers. A team dedicated to this type of request was set up and strengthened to improve response time. In branches, at Customer Relations Centers and at the head office, or often from home, the teams mobilized to offer this loan and review all applications in an appropriate manner.

Some companies will be able to start repaying their SGL from 2021, while others will need an additional year due to more challenging business recovery conditions. Crédit Mutuel banks have elected to allow companies that so request to begin to repay the capital amount one year later. This decision is part of Crédit Mutuel's personalized support and the trusted relationships it has with its customers and members. It illustrates the commitment of Crédit Mutuel, the regional bank, to help support and protect the local economy.

To respond to professional customers hit hard by the first lockdown, an online professional sales team was immediately set up to handle the portfolios of absent advisors remotely.

CMNE is involved in the "Reboost" fund, designed to support the regional economic fabric set up by various economic players, together with the Hauts-de-France region and BPI France. It enables SMEs experiencing difficulties to benefit from the capital necessary for their recovery, development or transformation.

To support students and apprentices with financial difficulties resulting from the health crisis, Crédit Mutuel, including Crédit Mutuel Nord Europe, has set up an exceptional program: a Mutual Aid for Students and Apprentices of €150. Crédit Mutuel also offered the extension of the additional six-month franchise period for student loans.

In Belgium, more than 3,000 deferrals (nearly €460 million) were granted in four to five weeks. The loans department benefited from the temporary secondment of nearly 40 Network employees. The employees of the Pro Centers called more than 600 customers who had not yet requested financial assistance, to reassure them and offer them the bank's services.

At La Française, the securities teams did their best to preserve their clients' portfolios in an unprecedented context of market collapse. La Française offered 1,700 professionals the possibility to stagger or postpone their rent payments of the second quarter to REITs. This supportive position has helped tenants while protecting the interests of investors.

Innovate

While it was necessary to adapt and take action in an emergency, CMNE has drawn on its innovation skills to best serve its customers and offer them appropriate solutions. Very quickly, CMNE, like the other banks, raised the cap on contactless payments from €30 to €50.

The entirely free *e-retrait banque* (bank e-withdrawal) solution enables customers who do not have a bank card to withdraw cash from ATMs and make contactless payments. This solution did not require any specific action from customers and it promoted compliance with health measures. Innovating also means learning from the lockdown period to rethink customer contact channels. At CMNE, for example, the "video appointments" project was accelerated to be rolled out in all branches in June. A major training program was set up to ensure the success of these remote appointments.

An emergency solution was deployed at Beobank to provide remote investment advisory services. This nudge is part of the digital transformation project which includes three priority areas: the upgrading of the Beobank Mobile app with new features, the deployment of online banking and further work to achieve 100% digital customer acquisition, as well as the development of the digital culture for all employees.

At CMNE, the electronic signature offered to customers since 2018 is essential and its use has increased with the health crisis. It avoids printing paper contracts and secures storage. In 2020, the CSR teams and the sales department launched a paperless challenge to speed up the transition to electronic signatures (69% of contracts signed).

With no connection to the health crisis, and for several years now, payment solutions have been adapting to a rapidly changing environment, whether in terms of technologies, uses or regulations. Since 2019, CMNE has been rolling out the PSD2 (Payment Services Directive to strengthen security). To support this change, CMNE has provided its customers with training, webinars, tutorials and dedicated events at local branches.

The remote payment solutions Apple Pay, Paylib and Lyfpay have also been integrated.

A solution called DEAFI, intended for deaf and hearing-impaired people, has been deployed to make products and services more accessible (simultaneous translation service). It can be accessed both remotely and in branches and allows customers to choose a suitable means of communication to easily discuss with the CMNE customer relations center and/or their advisor.

Thanks to its robust information system and the involvement of its IT teams, CMNE group ensured the availability and reliability of its IT system. Its availability and reliability rate stood at 99.45%.

Support

Supporting our customers means finding solutions in times of crisis but also helping them bounce back. A few days after the end of the first lockdown, Beobank launched a major media campaign called *#JeSoutiensMonQuartier.* By sharing the *#JeSoutiensMonQuartier* slogan on social media and listing their favorite bakery, florist or shoe store, customers were able to promote their local stores. On the other hand, retailers could order posters on the campaign website and put them up in their stores The first 100 professional customers who registered on the Beobank site also benefited from a free advertising campaign on Facebook. This campaign was subject to internal communication to involve employees.

CMNE also conveyed this initiative to support local retailers and artisans *via* a fun advertising campaign highlighting their countless strengths: "Support your baker so that he/she can get sufficient dough", "Don't split ends, support your hairdresser".

To address the consequences of the health crisis, the Fondation CMNE launched its annual call for projects entitled "imagining the world after, taking action for the most vulnerable" on December 1, 2020 for non-profits fighting against inequality and the isolation of the most vulnerable. Almost €150,000 will thus help to accelerate the best projects in response to the health crisis. Faced with the urgency of the situation, the Fondation Crédit Mutuel Nord Europe wanted to capitalizes on its strengths to support those who fight against inequality on a daily basis by targeting three specific priority areas: nutritional balance, access to digital technology for all and the power of intergenerational relations.

In March 2020, and to support local manufacturers, CMNE chose a local supplier to provide face masks for employees. Miditex, a company based near Saint Omer (France), supplied 45,000 reusable cloth face masks. 148,000 disposable face masks were also ordered from Franprotec, based in Roncq (France).

Communicate

The health crisis gave rise to many questions and concerns among customers, whether professionals, farmers, individuals, corporates or non-profits. To inform them, reassure them or even manage their complaints, the Digital Data Marketing Innovation and Customer Relations teams actively worked on areas such as remote banking services, the procedures for opening branches and State-guaranteed loan system. Communications with appropriate, instructional and empathetic content was disseminated to address customers' concerns and questions. All channels, including e-mails, newsletters, SMS, "game messages" in the transactional space, and on social media, were used to ensure fast, smooth and accurate information. Lockdowns have reinforced the magnitude of digital technology in everyday life (remote working, distance learning, videos with relatives, online medical consultations, etc.). To help customers use remote communication tools, CMNE has put online a Frequently Asked Questions (FAQ) section, and posted video demos with numerous tutorials for current services most requested by customers.

Communication with customers throughout the crisis was essential. The challenge was to be responsive to provide clear and instructive information to customers, in line with the support measures implemented by CMNE and those of public authorities. For example, La Française started to run podcasts. These short audio files showcased La Française's expertise in various fields (real estate, financial markets, etc.). This digital format made it possible to maintain direct contact with customers and reassure them.

5

The group is mindful of customer relations and satisfaction

Despite the health crisis, CMNE continues to measure customer satisfaction.

Between changes in behavior and an exceptional economic and health context, the Bank is experiencing a revolution in lifestyle and habits. In this changing context, CMNE is adapting its tools to collect information from its customers in order to improve its services. It is creating dedicated spaces to listen to them.

The Test Room welcomes customers and prospects from time to time, to collect feedback on their user experience with the CMNE interfaces or to ask them what they think about products.

The Factory is a place for creation and innovation for all employees. It is particularly adapted to new working methods and in particular for co-construction with customers. Open to the outside world, this place will be able to welcome customers and members, as soon as health conditions allow, to help the marketing teams improve existing products and services and design the new banking services of the future.

The CMNE Lab is a digital and collaborative platform launched in June 2020. It gives the floor to customers on current topics such as their expectations regarding the bank after the lockdown or digital services. They can express their opinions, submit their ideas, comment on or like the ideas of other participants, thereby creating a sense of attachment and belonging and making CMNE's cooperative culture even more tangible. By analyzing the ideas and comments provided by customers, the CMNE teams produce solutions (products and services) in line with customer expectations. The CMNE Lab is also accessible to employees. Their portal, launched in December 2020, works in the same way.

CMNE listens to its customers on a daily basis through periodic or long-term telephone surveys. For more than three years, CMNE has set up spot surveys that allow customers to voice their experience, the day following a contact with an advisor, the relationship center or after a subscription to a banking service or product online. During the first lockdown, even more attention was paid to customer feedback, which led to the adjustment of certain actions and personalized responses. This approach enabled to show that the efforts and adjustments implemented were in line with customer expectations.

In three years, the answers to 130,000 surveys were collected and analyzed. Branche Managers received customer reviews, thereby enabling them to provide, if necessary, additional information and answers to customers. This system not only improves customer relations but also results in a very good level of satisfaction with an average score of 4.44/5. In addition to this system, CMNE conducted 29 online and telephone surveys among its customers and employees.

At Beobank, an online questionnaire was distributed to measure customer satisfaction during the crisis. 81.7% of customers that took part in the survey believed that Beobank had continued to provide them high-quality services (customer relationship managers who could be easily reached by phone or email). Overall customer satisfaction remained stable with a score of 8.43/10 awarded to Beobank branches.

Managing customer complaints: a priority

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.

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: 10 days in 2020, compared with 12.37 in 2019. The quality initiative is key to this mechanism: making complaints a driver of process improvement.

CNME is responsible for training and informing customers. The "Le mag" section of the *cmne.fr* website deals with topical issues relating to banking services. 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 draws on original anecdotes to teach its audience about the economy in a fun way.

A group that supports customers in a fragile financial position

A fragile customer-centric policy

Crédit Mutuel Nord Europe is the bank for all customers and is attentive to supporting all those going through difficult life situations, be they structural, social or short-term. Crédit Mutuel Nord Europe's entities are committed, by way of an action plan, to respect mutualist values and the professional code of conduct.

Three regulatory packages, which include a set of essential everyday products and services, are now available: the Right to have Bank Account (RBA) (*droit au compte* – DAC) with the Basic Banking Services (BBS) offering, the Basic Services (BS) and the Fragile Customer Offering (FCO) called CM Facil'Accès. These offerings are displayed on the website and are presented in the price leaflets to ensure their promotion.

Since January 1, 2019, the regulations impose a €25 cap per month on bank charges for incidents and unauthorized overdrafts, for all customers in a fragile financial position. Crédit Mutuel Nord Europe has chosen to apply as from August 24, 2020, full exemption of all bank charges for incidents and unauthorized overdrafts to customers specifically holding the Facil'Accès offering.

In 2019, a working group, resulting from CMNE's innovation initiative, reflected on issues in connection with care helpers (people who support a family member or close friend in a situation of dependency on a daily basis: illness, disability, old age, etc.) and care beneficiaries (elderly, disabled, etc.) with the aim of offering new services and products that are genuinely useful to them. The teams engaged with non-profits to better understand their concerns and their daily challenges, and then test the ideas with the public concerned. In March 2021, a specific offering will be launched covering all needs: banking offering, personal protection insurance, and "autonomy" credit.

On October 6, on the occasion of "Care helpers" Day, the La Française group held webinars to inform, reassure, advise and support employees involved in these personal situations.

Caring for over-indebted persons

The prevention and handling of over-indebtedness are part of Crédit Mutuel Nord Europe's historic solidarity, cooperative and local initiatives.

A dedicated service, made up of experienced employees, informs customers with financial difficulties who may be eligible for an over-indebtedness procedure. For all cases subject to an out-of-court debt collection procedure, a review is carried out with the customer in order to identify the source of the difficulties and formalize various possibilities to fix the situation. This approach aims to support customers experiencing financial difficulties find solutions and thus prevent the risk of over-indebtedness.

Caisse Solidaire

Caisse Solidaire du Crédit Mutuel Nord Europe was created in 2005 to fight against banking exclusion and specifically dedicated to offering access to loans. It is part of the law on the program for social cohesion, known as the Borloo law of 2005, and allows people who are excluded from loans to obtain a personal microloan. Drawing on both social and financial expertise, its goal is to support life projects and ensure a better future for the most disadvantaged. This alternative solution for customers who are not eligible for traditional loans due to their low credit score offers consumer credit between €300 and €5,000 over a period of six to 60 months, for mobility training, home equipment and family events. This has been made possible through partnerships with non-profits or public bodies specialized in identifying and supporting projects aimed at people who are excluded from the banking system. The crisis has put a large part of the non-profit sector on hold, which resulted in a decrease in the number of microloans granted in 2020: 256 microloans for an amount of €548,000.

The CMNE group: more than just a bank

More than ever, Solidarity and Proximity

These commitments, the founding values of the cooperative culture took on their full meaning during the health crisis. The CMNE group's event communication teams experienced the gradual cancellation of many events that the group was supposed to support during the year. They saw sports and culture come to a halt. CMNE remained true to its commitments and, for certain partnerships, maintained its financial aid, particularly for events cancelled at the last minute, or for those which nevertheless managed to maintain part of the event.

To discover how cultural players continued to reach out to their audiences despite the context, CMNE web TV "LA-Hauts" broadcast programs on events supported by CMNE.

CMNE has launched a support fund to support organizations involved in COVID-19 research, and those that help people made vulnerable by the crisis (the elderly, people with disabilities or in vulnerable situations). More than 310 local organizations benefited from the €420,000 financial aid and the Institut Pasteur de Lille received a donation of €180,000.

CMNE has also joined forces with the Pocket publishing house to support the Restaurants du Cœur. The solidarity book *13 à table!* was offered to 10,000 customers and members, and helped fund 40,000 meals for people at the Restos du Cœur during the winter of 2021.

La Française supported the campaign *Tous unis contre le virus* (United against the virus) led by the Fondation de France, the AP-HP and the Institut Pasteur by donating the €22,562 collected. The amounts traditionally used for year-end gifts were donated to the same cause.

La Française also chose to support the non-profit *Tout le monde contre le cancer* to enable children in hospital to celebrate Christmas.

The Fondation CMNE

Created in 2013, the Fondation Crédit Mutuel Nord Europe supports local non-profits in their projects. CMNE has always been present in its regions to support non-profits and local players and is seeking to organize its actions. Since 2013, through its Foundation, the bank has a dedicated team and budget that enables it to roll out its support over the long term through a five-year plan.

In 2020, the Fondation Crédit Mutuel Nord Europe saw the gradual cancellation of many projects that it was supposed to support during the year. It has seen culture go silent, training trying to resist despite imposed social distancing, inequalities explode and the crisis set in. From the very beginning, the Foundation worked hard to maintain all of its commitments by deferring allocated budgets, rescheduling and adapting projects. As a result, more than €900 thousand were contributed to support 31 regional projects (nine in the field of culture, 15 in that of solidarity and seven for training). Faced with the urgency of the situation, the Foundation also launched a call for projects in December: "Imagining the world after, taking action for the most vulnerable", based on three themes (nutritional balance, access to digital technology for all and the power of intergenerational relations). It targeted non-profits/organizations in the Hauts-de-France, Ardennes and Marne regions which had, from the start of the crisis, initiated large-scale and long-term projects intended for vulnerable communities.

The Fondation CMNE's actions are based on three areas:

Culture, to showcase the regions' potential: by supporting the major cultural players in its regions, the Fondation Crédit Mutuel Nord Europe is seeking to help make culture accessible to all, while supporting initiatives that contribute to the region's influence and attractiveness. It is a regular sponsor of the Lille Opera, the Louvre-Lens, the LaM (Villeneuve d'Ascq), the Théâtre Impérial (Compiègne), the Palais des Beaux-Arts in Lille, La Condition Publique (Roubaix) and Concerts de Poche. Support for cultural players was granted in the amount of €450 thousand in 2020.

Training, to support the talents of tomorrow: the Fondation CMNE focuses on young people by supporting non-profits whose action aims to encourage them successfully complete what they have elected to undertake. To do this, the Foundation endeavors to reach various audiences: young people in need of guidance, creative high school students, students from modest backgrounds. Accordingly, support for training projects amounted to €250 thousand.

Solidarity, to combat exclusion: the Foundation elected to roll out actions in this area through annual calls for projects. In 2020, it decided to support bold projects that promote the implementation of short supply chain and thus address the social and environmental challenges of our era. The seven winners propose a wide range of initiatives that promote local sourcing, urban agriculture, the circular economy and biodiversity. More than €100 thousand were devoted to accelerating the winners' projects.

The Fondation CMNE also regularly works to foster social and professional inclusion through more periodic sponsorships. In this respect, in 2020 it supported the *Entrepreneurs dans la ville* program led by the non-profit Sport dans la ville Hauts de France to help young adults with modest means in their business creation project.

In addition to culture, training and solidarity, the Fondation CMNE is extending its field of action to include the environment. Through its long-term environmental commitment, the Foundation intends to accelerate the ecological transition on a local scale and launch a carbon offsetting initiative. To this end, a call for projects will be launched every year. The first one will be launched in the second half of 2021 and will reward initiatives related to reforestation, greener cities, etc.

Initiatives to overcome illiteracy

Because reading is a basic tool for social and cultural inclusion, Crédit Mutuel Nord Europe has joined forces with the Fondation du Crédit Mutuel 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 Fondation du Crédit Mutuel 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 corporates. 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's ambition, reinforced by the health crisis, is to shift its activities towards a more sustainable model. 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 corporate 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	2020	2019	Comments
Change to SRI assets under management as a% for the La Française group	21.6% of mutual funds and mandates	4.5% of mutual funds and mandates	• La Française's strategy is to become a 100% SRI property management company
Change in the group's energy consumption	23,694,921 kW/h	25,374,246 kW/h*	• LED lighting in banks – Centralized Technical Management and smart thermostats
Change in the group's paper consumption	253.07 metric tons	271.6 metric tons	• Digitization • Electronic document management • Electronic signature • Badge printers

* *Update of the data for 2019.*

CMNE's target for reducing greenhouse gas emissions over the 2019-2023 period was -287 teqCO_2.

- ▪ **Our policy mechanisms**: sectoral policies (coal-fired power plants, civil nuclear energy, mining and defense), Greenhouse Gas Emissions Assessment and action plan, document digitization (electronic document management), electronic signature, eco-gestures portal, eco-mobility, teleworking agreement, hybrid vehicles, recycling with Elise (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 agriculture of tomorrow

Historically, CMNE has supported agriculture in terms of day-to-day management, modernization and the development of agricultural holdings. In the light of environmental challenges of its business, 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).

Aware of the challenges related to the development of anaerobic digestion in its region, CMNE has an active role in this area. A dedicated organization has been put in place to support requests for anaerobic digestion financing. Seventeen projects were studied and eight loans were granted for an amount of €11,853,000 in 2020. In addition, CMNE is involved in the major regional events of this sector: Biogaz Europe and Expobiogaz (Lille on September 2 & 3, 2020). CMNE has also joined a working group devoted to the regional financing of anaerobic digestion projects led by GRDF.

(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.

Offer products that have a positive social and environmental impact

Through its products and services, the CMNE group makes a positive contribution to societal, social and environmental issues.

In order to encourage and promote responsible practices among its customers, CMNE offers a range of loans for energy renovation work: the regulated interest-free Eco-Loan. The type of loan offers preferential lending conditions for the financing of equipment that enables energy savings, for main homes, second homes, or leased properties.

In addition to interest-free eco-loans, short-term and long-term energy saving loans, solidarity savings and the financing of renewable energy projects, CMNE markets an offering intended for customers wishing to reduce their carbon footprint. As such, the ecomobility product for private individuals and professionals enables them to change their car to a more environmentally-friendly model at attractive rates.

For professionals, 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 step up their CSR strategy, CMNE has the "CSR transition" loan.

In order to give meaning to savings, CMNE markets the LDDS (Sustainable and Responsible Passbook Account). The interest of this savings product can be donated to local social and solidarity-based organizations selected by CMNE. In exchange for this financial support, customers can benefit from a 66 to 75% tax reduction depending on type of non-profit the donation is given to.

Incorporating climate risks

The challenges related to climate change are considerable and the financial sector has a critical role to play in the financing of the transition to a low-carbon economy.

Financial institutions will soon be required to disclose the exposure of their various portfolios to climate risks. This constitutes key information for investors and individuals to understand if their bank is "green" or not. In this context, the supervisory bodies expect the banks to make commitments to decarbonize financial flows and reduce their exposure to climate risks. All Crédit Mutuel entities are committed to aligning their activities with the climate objectives of the Paris Agreement.

In order to identify the climate risks facing the CMNE group, regular work sessions with the Confédération Nationale du Crédit Mutuel have started in order to adequately address the areas in question. This involves integrating and monitoring climate and ESG risks in the overall risk map and defining monitoring indicators.

At the end of the year, Crédit Mutuel took part in the first ACPR stress tests and is working to integrate climate/ESG risk into its risks.

Although Beobank is not subject to the same regulations, the Bank has launched a cross-functional project called "Sustainability" which is supervised at the highest level of the company to commit to more sustainable development.

La Française group, a committed asset manager

For over 40 years, La Française group's has been designing and marketing targeted investment solutions on behalf of third parties. This multi-specialist asset management group, and a subsidiary of the Crédit Mutuel Nord Europe group, pays particular attention to the consequences that its investments have on society and therefore on the conditions under which these savings generate income. Its responsibility is not only to make these savings grow, but also to create the conditions for living together in the future, particularly in view of the necessary transitions associated with climate change and the social challenges that these imply.

La Française Asset Management (LFAM – management company of La Française group) has announced its ambition to have a range of open-ended funds that are fully sustainable by the end of 2022. 87% of open-ended LFAM funds already meet the sustainability criteria.

The La Française group has been committed to sustainability for over 10 years. Thanks to its research center – La Française Sustainable Investment Research – La Française has developed a methodology for quantifying E, S and G scores and has adopted an innovative process for measuring carbon trajectories (Low Carbon Trajectory – LCT). This methodology enables to determine whether companies in sectors with high GHG emissions are in line with the Paris Agreement. This approach, applied to credit management, represents a major advantage because it can to assess the risks and opportunities related to climate change.

The La Française Sustainable Investment Research research and expertise center adapted its methodology to bank lending so as to supply carbon footprints to its shareholder, CMNE, and more widely, to Crédit Mutuel.

In addition to these innovations, La Française offers a range of sustainable funds and obtained the SRI label for two funds, La Française Obligations Carbon Impact and La Française Trésorerie in 2020. Overall, eight La Française funds are SRI certified, including one in Real Estate.

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.

Mining

Policy applicable to all financial transactions intended for mining companies irrespective of the mining resource and method of extraction employed. This covers the entire sector from ore exploration to shipping. CMNE has made the commitment to no longer intervene in the financing or in investments that are directly assigned related to the development, construction or extension of mining or metallurgical facilities if one of the following characteristics is present: project for asbestos mines, small-scale mines, critical impact on a protected zone or a wet zone that is on the Ramsar Convention list, and UNESCO world Heritage sites.

Civil Nuclear Energy

Policy governing operations and advice provided to companies in the civilian nuclear sector. The group ensures that all requests fall within the framework of the laws in force and comply with the standards and/or recommendations issued by independent organizations in the nuclear sector. An internal decision-making process is defined and follows a reference framework which notably takes into account the host country, the type of financing of the projects in question and the international financing rules.

Defense and Security

Sectoral policy relating to transactions with companies in the defense and security sector. It recognizes the existence of conventions, treaties, agreements and regulations specific to the weapons industry. The group refuses to take any part in controversial weapons operations and respects drastic principles regarding unconventional weapons as well as countries affected by such funding.

Coal-fired power plants

Policy applicable to financing, short- and long-term investments, issuance of guarantees, international trade transactions, financial services and advice provided to companies producing electricity from coal-fired power plants or active in the coal-fired power plant sector due to their operations related to the development, building, operating and/or decommissioning of coal-fired power plants.

CMNE has consideration for the population's need for development and the need to contribute to clean energy progress while respecting social and environmental constraints.

The La Française group has implemented several exclusions: controversial weapons, tobacco and coal.

Taking action for the environment

Combating waste

Numerous initiatives are implemented every year to raise employees' awareness of "eco-friendly behaviors". With the advent of new work spaces, CMNE donated IT, telephone and office equipment to charity.

A space dedicated to employees on the group's intranet centralizes all actions in connection with CSR strategy and offers employees different ways of getting involved and eco-friendly measures to reduce consumption and avoid waste. Employees are regularly informed and made aware through targeted publications displayed on the intranet.

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.

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. Employees are one of the main drivers for sustainable value creation. They are encouraged to behave in a responsive and respectful manner. CMNE has established a partnership with "Energic", a local startup which offers a fun app. Some fifty employees from the head office, divided into groups, tested this environmental challenge in 2020. *Via* a dedicated app, each team must answer quizzes, submit ideas and complete challenges related to the energy transition.

Since 2011, both CMNE and La Française have conducted a Greenhouse gas emissions assessment. In eight years, CMNE has reduced its CO_2 emissions by 22%. An action plan is implemented each year on the themes of paper, energy and travel.

Beyond the assessment of its emissions and the action plan, CMNE is seeking to go the extra-mile with its energy transition. In 2021 a new focus area of the Fondation CMNE will be established and will be entirely dedicated to environmental projects financed through the voluntary carbon offset mechanism.

Paper

The main lever for reducing paper consumption for customers is the electronic signatures and the digitization of commercial documents. A paperless challenge was organized in the network to increase the percentage of electronic signatures for eligible contracts. At the headquarters, the Watchdoc tool has been deployed: printing remains in the printer's memory until unlocked by the user. This process enables to save paper by avoiding unused print jobs, or those more voluminous than expected, that the user can interrupt while in progress. This tool can also analyze printing metrics in order to better manage consumables. In 2021 local branches will also be equipped with the Watchdoc tool.

The health crisis increased remote working and the very high volumes of email and document flows. To raise employee awareness of the impact of digital technology on the environment, a Cyber CleanUp Week challenge was organized in the same vein as the World CleanUp Day held in 2019. Less tangible than waste, digital pollution is a reality. The purpose of this dedicated week was to raise awareness in order to promote the adoption of digital best practices: email management, data storage, web browsing. 37,000 Mo of data were removed, *i.e.* the equivalent of half a metric ton of CO_2.

For its internal paper consumption, CMNE is also vigilant about the use of PEFC- and FSC-certified paper.

Beobank launched the Digital@Beobank project, with a dedicated mobile app, one of whose objectives is Zero Printing in agencies within three years.

Energy

In 2020 CMNE consumed 9,927,060 kWh of electricity. This is almost 20% less than in 2014. Thanks to Centralized Technical Management (CTM) at the head office, the smart thermostats installed in the branches, and the efforts of each employees, consumption has decreased. CMNE wants to take its environmental strategy a step further. As part of the renewal of energy supplier contracts, CMNE has selected a 100% green and local energy supplier for electricity. An offering for employees will be available in early 2021. Founded in 2016, Plüm buys electricity directly from French independent producers that have a local, environment-friendly, economic and social impact in France. It is a Social and Solidarity Company recognized by the French Ministry for the Ecological Transition. Plüm is also classified by Greenpeace among the only "truly green" suppliers in France.

Water

CMNE limits its water consumption thanks to the installation of the Ecobag solution in toilet tanks and saves up to 2.5 liters of water for each flush. Flow restrictors (aerators) were also installed on all taps of the head offices and branches.

Travel

CMNE has undertaken to promote the energy transition of its car fleet by deciding to stop purchasing diesel engine vehicles. In 2020, 48 hybrid vehicles replaced diesel cars.

Due to the health crisis, the number of videoconferences increased fourfold compared to 2019. More than 6.6 million kilometers were avoided. Nevertheless, CMNE group paces a special focus on the responsible use of remote tools that generate digital pollution.

The internal travel policy promotes the use of public transport, carpooling and encourages the use of bicycles. Specific infrastructure (secure bicycle parking) has been set up at the various head office buildings. Communication campaigns take place to mobilize employees around the regular use of bicycles and to remind them of the group's involvement in environmental protection and the ecological transition. In accordance with the provisions of Article 50 of the French Energy Transition law, CMNE has been covering, since March 1, 2019, the expenses incurred by employees using bicycles or electric bicycle between their usual residence and workplace, or as part of company assignments. In 2020, compensation was paid for 27,471 km (€25 cents per kilometer). The benefit is capped at €200 per year and is exempt from social security contributions and income tax. It can be combined with the payment of public transport costs already partially covered by CMNE (collective transport card or V'Lille type of public bicycle rental subscription).

CMNE, like other players in Hauts-de-France, has embarked on a unique experiment in soft mobility in France. The objective of this study is to try to better understand the transportation patterns adopted by the inhabitants of the Hauts-de-France region for home/work journeys. For scientific reasons imposed by the researchers of the University of Valenciennes, only the employees of the head office of Lille working in the same place were able to take part in this experiment.

Waste

Selective and participatory sorting for recycling is in place for all employees at the head office and the network of local branches. Since 2007, CMNE has been a partner of the service provider Elise, which handles most of the waste recovery process. There are no longer any individual waste bins. During European Waste Week, an awareness campaign was launched where bins were labelled with recycling stickers to better understand what bin to use according to the type of waste. The campaign also focused on the waste life cycle to understand the importance of sorting for recycling.

In the spring of 2020, the Fondation CMNE launched a call for projects focused on an environmental theme and entitled "Short Supply Chain, for production, for consumption, cut out intermediaries!". It aimed to support bold projects that address the social and environmental challenges of our era.

The budget of €100,000 was donated to seven non-profits in the regions selected by the Foundation's board of directors from among the 77 applications reviewed. The winners propose a wide range of initiatives that promote local food, urban agriculture, the circular economy and biodiversity and foster more environment-friendly practices.

5.6.3 Human Resources

Employees are central to CMNE group's growth strategy: People are the company's main asset. The group has always been mindful of developing a committed social policy which, at the peak of the pandemic, took on its full meaning.

Despite the health crisis and while making the health and safety of employees a priority, CMNE continued to roll out its ambitious policies for training, professional mobility, integration of young people through work-study programs, its commitments to workplace equality and promoting disability.

In a banking world undergoing profound change, the health crisis has accelerated changes already well underway in the group in terms of work organization, management methods, business transformation, digitization, etc. HR teams and managers have a key role in this period of upheaval and profound transformation to support the group's employees with a special focus to their self-fulfillment and employability.

- **Our commitment**: to provide training, self-fulfillment and career development for all employees[1].
- **Our major identified non-financial risks:**
  - Lack of training
  - Employee demobilization
- **Our monitoring indicators[1]**

Indicator description	2020	2019	Comments
Change in the% of payroll costs dedicated to group training	4.66%	4.66%	• Despite the health crisis, most training courses were maintained and delivered either remotely or face-to-face
Change in CMNE staff turnover	5.45%	5.36%	• Turnover corresponds to the number of departures/average workforce. The change is attributable to the decrease in the workforce due to the lower number of external hires
Change in the group's rate of absenteeism due to illness	5.60%	4.70%	• Sick leave for childcare and vulnerable employees in the context of the COVID-19 crisis are included in the calculation of this indicator

- **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

Training has been adapted

CMNE anticipates the skills of tomorrow and supports its employees with regard to job transformation, notably through training. The lockdown periods have accelerated a phenomenon already underway for several years: the evolution of professions and the development of skills in connection with digitization.

CMNE has a structure entirely devoted to the training of group employees. Career paths are developed by systematically employing a progressive learning process, to support employees as closely as possible. These courses include technical knowledge and alternate sessions devoted to role play, experimentation and consolidation. They are developed regularly in terms of content and duration.

The 2020 program focused on five areas of expertise: collective actions with a commercial dimension (broaden and deepen knowledge in sales tools, regulations, etc.), support for the transformation of head office jobs (creation of a data structure, internal mobility, etc.), training for managers, soft skills (behavioral training, etc.) and ultimately diploma courses.

In the context of the health crisis, training formats were adjusted. Job specific and regulatory training have been prioritized to enable employees to adapt to the changes in their jobs and/or move on to a different position. Thanks to the agility of the coaches but also of all employees, 14,169 days of training (out of the 15,509 days scheduled) were delivered to 2,680 people, of which 51.3% remotely, which corresponds to 6.51% of the total number of the payroll for CMNE and 4.66% for the CMNE group.

(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.

A training campus also opened in Lille in 2020, to complement the one in Arras. These two sites enable to optimize employee travel required for training by reducing travel times.

During the 2019-2020 school year, CMNE continued its training policy and took on 76 young people (including 49 new), mostly Master 1 or Master 2 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 corporate 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. 120 young people also completed an internship at CMNE.

La Française has carried out MOOCs to enable employees to get familiar with remote communication and collaborative tools, which are very useful during lockdowns.

Beobank has set up an e-learning library focusing on soft skills: 2,500 modules are available on various topics (how to run effective meetings, assertiveness, managing time, managing conflicts, etc.). A digital culture program was also launched for Beobank employees on various topics: mobile apps, digital signatures, social media and digital pollution.

Promoting mobility

CMNE believes that professional mobility is a key driver for its development and that of its employees. The company encourages internal mobility both for network and head office employees. To develop internal mobility at head office level, the HR teams have put in place various tools to give visibility to the business lines: dedicated documentation (job descriptions and mobility bridges, personalized training courses), mobility forums organized on a regular basis, job videos, specific interviews, external support to define career plans, etc.

Managers are actively involved in the internal recruitment process. Dedicated training has been set up as well as a "recruiting manager" guide. For internal mobility applications, interviews are conducted jointly with the manager, HR and the candidate. CMNE thus recorded 346 transfers in 2020 (functional, promotional, geographical).

In order to facilitate the mobility of network employees, the CMNE HR department has a tool designed to optimize the distances between home and work. This tool contributes to CMNE's CSR strategy by taking into account the environmental impacts of travel and is also part of the "quality of life at work" policy by promoting a better work-life balance. In 2020, 58% of employees traveled less than 20 km to their workplace compared to 54% in 2017.

In addition to its commitment to mobility, the group aims to support career paths and develop talent. Each year, an annual appraisal interview is organized between the manager and the employee. This is a key opportunity for each employee to assess his or her performance during the past year, review the skills developed and also the achievement of previously set objectives.

Professional interviews are also organized between employees and their managers at least every two years, in order to discuss career paths and professional development prospects. Employees also have the opportunity to have interviews with an HR manager to learn more about the possibilities discussed during the professional interview. Lastly, to encourage employees to take on an active role in their career paths, the company displays open job positions through offers posted on the CMNE intranet.

In 2020, Beobank decided to introduce a new talent management application. In addition to the professional development interview, the system allows each employee to manage their career, with the possibility of posting their CV and career expectations.

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 and well-being. Through regular dialog with the trade unions, the group is constantly addressing employee-related matters such as compensation, workplace equality, youth employment and taking part in discussions on the quality of life at work, in order to identify the issues at stake, particularly in connection with the health crisis.

The QLW 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.

During the health crisis in 2020, employee health is was a top priority. Crisis unit meetings were organized very regularly in order to define the rules and adapt working conditions: a mix of remote and on-site working was put in place to ensure the protection of employees, in accordance with health rules while ensuring that were not isolated, and performed the duties of a key economic player.

In France, to fight against isolation and gloomy environment, a channel called Antidote was created on the corporate social network. To enable employees working remotely to be effective during meetings, a guide entitled "12 shades of self-management" was made available.

As every year, CMNE was involved in the week dedicated to quality of life at work. This year, due to the health crisis, it was entirely designed in digital format. This information session took place in the midst of "a release of lockdown" and made it possible to communicate on the return to work with total peace of mind.

In addition, as all employees may face professional and/or personal difficulties during their lifetime, which may have consequences for their health, CMNE has set up various types of support. The social worker is present three days a week and can meet with them if they request an 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.

In October 2020 a new agreement on the management of incivilities and assault in the context of customer relations at CMNE was signed. While armed robbery has decreased considerably over the years, another phenomenon has gradually emerged: incivilities. Between 2018 and 2019, and as in all banking institutions, at CMNE, the number of incivilities increased by 25%. In order to protect the health and safety of employees, while preserving the quality of service, management has drawn up, together with employee representatives, an action plan for the prevention and management of incivilities, with the introduction of new a tool for reporting and monitoring incivilities.

This new system is based on four priorities: better prepare and support employees, raise awareness among customers about uncivil behavior and its consequences, inform and preparestakeholders (including managers) to address incivilities and finally monitor and communicate about incivilities.

Capital magazine published the list of the top 500 employers in France. Crédit Mutuel ranks first in the banking and financial services sector out of 18 institutions assessed in total. This ranking analyzes companies, in particular in terms of working conditions, career prospects, training opportunities, work-life balance, etc., many topics that are discussed at CMNE on a regular basis.

Beobank received, for the third time, "2020 Top Belgium Employer" certification, which rewards companies that have proven that they offer their employees excellent working conditions and a quality working environment, and for which talent development is a corporate priority.

In the course of 2021, Beobank will move to a new head office designed for and by employees. A dedicated site was created called "Beobank House", to prepare and support the installation of employees.

Remote working

The group wants to promote a certain flexibility with regard to new forms of work organization, in particular to allow employees to balance professional life with personal life. Remote working has been tested since 2016 at CMNE. A company agreement was signed in December 2018: outside the health crisis, one day of remote working per week is possible for head office employees and under certain conditions. The managers of the employees involved are trained to help them manage their teams remotely.

The health crisis and related government measures have encouraged 100% remote working when possible, in particular to limit social interactions in the workplace. Head office employees were working remotely on a full-time basis and those in the network worked remotely during the second lockdown, on a one-to-two-day-a-week basis for each employee.

In the fall of 2020, La Française launched a major survey on remote working, a first step in the thinking process towards the deployment of this practice. Already tested by the group, the experience of lockdown had a positive impact on the perception of remote working.

At Beobank, the implementation of wide-spread remote working in just a few days demonstrated the flexibility and agility of the bank's employees with regard to this new working method.

High quality management

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. 71% of the network applies this type of management.

Since 2015, around fifty CMNE managers have also benefited from innovative learning methods. This is a training course in personal development with a managerial dimension developed by the Chair in Leadership and Managerial Skills at EDHEC Lille. Learning by collective intelligence is particularly advanced at EDHEC.

High quality management is a key driver for employee success, motivation and commitment. The skills development program includes training courses from taking up a position to advanced managerial skills, including personal development and changes in management methods.

New managers are systematically supported when they take up their posts. Training in management fundamentals, amongst other things, was updated and managers, once in post, can now access a database of classroom training courses: management workshops. Most of these training courses on soft skills had to be postponed due to the health crisis. However, 166 employees were trained in 2020.

A policy committed to diversity

Disability

Another important challenge for the group in terms of diversity is to continue and step up the effort towards the hiring of employees with disabilities, and to foster the employment of said employees and support them throughout their career. 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 line with its values and in a context where the unemployment rate of people with disabilities is double than that of the rest of the working population, the group is continuing its actions.

In mid-December 2020, CMNE signed its fourth disability agreement with tangible commitments on the recognition of disability (in 2020, CMNE had 103 employees with disabilities – RQTH), inclusion, working conditions/quality of life at work and specific adjustment of job positions/workstations. In particular, CMNE strives to establish new partnerships with the suitable companies in the sheltered sector. There has been a 7% increase in units benefiting from these partnerships since 2014.

Thanks to this new agreement, employees that have children with disabilities will be able to benefit from two days (compared to one) of paid leave to carry out any necessary formalities in connection with the child's disability. Employees with disabilities can also benefit from universal service employment vouchers in the amount of €1,400/year.

As every year, CMNE group is involved in the European Week for the Employment of People with Disabilities (EWEPD). This year, a fully digital format was designed to remind all employees of our actions aimed at promoting the employment of people with disabilities. Videos were posted on the intranet showcasing the testimonials of employees with disabilities, partners in the sheltered sector as well as the disability officers of the HR department.

For the deaf and hearing-impaired, CMNE rolled out DEAFI, a solution that enables customers to choose a method of communication tailored to their disability: translation into sign or spoken language (lip reading) *via* a webcam, or discussion *via* an adapted webchat.

Diversity

Diversity among a company's employees is a major asset, a driver for productivity and business performance. This is only possible if the company has put in place an anti-discrimination, equal opportunity and diversity policy. A fifth agreement on gender equality at Crédit Mutuel Nord Europe was signed in October 2020, for a period of three years. CMNE reaffirmed its commitment and its desire to further its progress in terms of gender workplace equality. The results of the previous agreement showed satisfactory results.

The report also highlighted a number of areas for improvement, particularly in terms of access for women to executive positions or positions at a managerial level. One of the objectives of this new agreement is to have one-third of female executives and managers. In the area of parenthood, workshops are now systematically offered to female employees returning from maternity, adoption or parental leave, thereby providing them with a framework to think about new ways of obtaining a work/life balance.

Echoing "International Women's Day" on March 8, every year, CMNE organizes a gender diversity week. In 2020, CMNE chose to showcase female managers.

La Française organized an exhibition entitled "Timelines of history" to traceback the evolution of the place of women in society and work, as well as that of equal opportunities. As part of its approach to gender diversity and the promotion of women's career paths, the La Française group has also launched the "furt'her" initiative. It aims to counter the under-representation of women in certain professions and among the highest paid employees in the company. In order to support and develop the leadership of high-potential female employees, various actions will be organized in 2021, such as inspiring meetings, informal moments to activate networking, and a mentoring program. It has already started with 12 mentors involved in daily coaching and advice for talented women.

WORKPLACE GENDER EQUALITY INDEX

BREAKDOWN
OF MEN AND WOMEN AT CMNE

49.2% of women

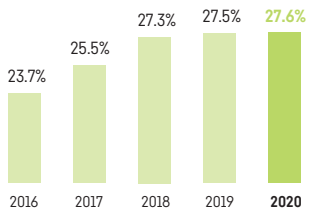
Breakdown of women and men at CMNE in 2020

50.8% of men

27.6% of women

72.4% of men

Breakdown of women and men at management-level positions at CMNE in 2020



Breakdown of women at management-level positions at CMNE in 2020

20.5% of women

79.5% of men

Breakdown of women and men managers at CMNE in 2020

5

The gender pay gap

39/40 — Identical to the previous year but with a positive change as the weighted difference improved from 0.8% in 2019 to 0.3% in 2020.

Gap in individual pay increases

20/20 — Identical to the previous year.

Gap in promotions

15/15 — Identical to the previous year.

% of women employees with a pay rise after maternity leave

15/15 — Identical to the previous year.

Gender diversity among the top ten highest paid employees

5/10 — Identical to the previous year, although there was an increase in the number of women among the top ten highest paid employees: three women in 2020 compared to two in 2019.

Committed employees

CMNE is a partner in the *Squad Emploi* which aims to help integrate young college graduates into working life. The 11th edition of this program was launched in January 2020 with seven managers who support seven young graduates experiencing difficulties with their professional integration. In ten years of partnership, CMNE is proud to have supported these young people, nearly 80% of whom have found work.

Etincelle Network is a program for the reintegration of young people who have dropped out of school without a diploma or with only poor qualifications. To help them, CMNE employees run a very practical "my bank and me: instructions for use" training session every year.

In 2020, as part of the *Entrepreneurs dans la ville* project, a group of employees supported young entrepreneurs from disadvantaged neighborhoods in setting up their business creation project.

One of the many non-profits supported by the Fondation CMNE is the EPA (Entreprendre Pour Apprendre) non-profit 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 Fondation CMNE supports over 280 mini-businesses and 12,000 participants. Six CMNE employees sponsor micro-businesses founded by middle school or high school students as part of this program, which aims to instill an entrepreneurial spirit in young people.

For the third year, the Fondation CMNE 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, received their awards on the evening of the vote.

Every year, under the punchline "Together, let's roll up our sleeves", Beobank employees can exchange a day of work for a day of volunteering with a Belgian charity selected by UFB (United Fund for Belgium).

La Française showcased "care helpers" during the day devoted to them. Webinars provided answers to all questions related to this issue.

During the 2019-2020 school year, CMNE continued its work-study policy and took on 76 young people (including 49 new), mostly Master 1 or Master 2 students.

5.6.4 Governance

The governance of all CMNE group entities ensures ethical and trustworthy practices. The CMNE stands out for its mutualist identity. The "one person/one vote" principle gives a human, non-financial dimension to decisions taken in shareholders' meetings. Its anchoring 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. Marked by the health crisis, 2020 confirmed the relevance of this model.

- **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	2020	2019	Comments
Monitoring of total number of training hours delivered to elected representatives	445	2,599.5	• Almost all training courses were cancelled due to the health crisis and could not be delivered remotely
% of CMNE employees trained in combating money laundering per year	94%	33%	• The training module was delivered in 2020

- **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 Counter-Terrorist Financing (AML-CTF), policy to combat tax evasion, anti-corruption and internal fraud policy.

5

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, members elected by their peers, active in the local region, and CMNE salaried workers, employees/sales representatives. Crédit Mutuel is a mutual, cooperative bank. 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 the bank's mutual dimension

The shareholders' meetings of the local banks are held every year between March and April. In 2020, the health crisis disrupted this event that customer-members were much looking forward to. In accordance with the Order of March, 25 2020 on the continuity of economic and social life, supplemented by Decree No. 2020-418 of April 10, 2020 on the adjustment to rules governing the organization and deliberation of shareholders' meetings and governance bodies, the local banks organized their shareholders' meetings remotely. Thus, 19 shareholders' meetings were held before the first lockdown announced on March 13 and 122 were held remotely while ensuring efficient functioning of governance bodies and with the roll out of appropriate technical means to guarantee the safety of all. Annual meetings at federal level were also held remotely.

(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.

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 2020, due to the health crisis and restrictions, most training courses had to be cancelled. 445 hours of training were provided (compared to 2,600 in 2019).

Since 2014, elected representatives can register for training courses *via* a dedicated application accessible only by the Local Bank Managers. Since June 2020, elected representatives can now register for training courses themselves *via* a new dedicated space on their personal account on *cmne.fr*.

Thanks to this tool, elected officials can consult the entire training catalog, as well as the detailed informational sheets for each of them, with a simple click. Each Local Bank has a training officer on its board of directors, who can replace the elected representatives of his or her bank if necessary.

Tests will be carried out in several local banks during the first half of 2021, on the implementation of distance learning. Two types of training will be offered: self-study courses (training modules of 5 to 45 minutes) and micro-training courses of 20 minutes organized in the context of a board meeting, face-to-face or *via* Skype for Business.

Changes in Crédit Mutuel Nord Europe's governance

It was in a unprecedented context of the group's history that Olivier Oger was elected Chairman of the boards of directors of Caisse Federal and Fédération du CMNE. Due to the health crisis, the federal shareholders' meetings were held remotely and it was also remotely that the boards of directors of Caisse Fédérale and the Federation elected the new Chairman replacing André Halipré. His professional career, notably as director of EDHEC, enables him to take on his new duties with confidence. Olivier Oger successfully coordinated the meetings held with elected representatives as part of the convergence project with Crédit Mutuel Alliance Fédérale, a project on which elected representatives were almost unanimous.

The governance of the La Française group also changed with the appointment of Patrick Rivière as Chairman of the executive board following the departure of Xavier Lépine.

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.

In 2019, the members of the management committee were delivered class-room training by PwC. All CMNE employees attended an online training course. As stipulated by law, this awareness-raising must be carried out on a regular basis. In 2020, CMNE raised awareness *via* the intranet about the gifts, invitations and benefits policy as well as the possibility to report issues.

At the same time, procedures for assessing third parties (suppliers, sponsorship) with which the company has established relations were implemented based on a map. The level of third-party risk is assessed based on the information collected in an ethics questionnaire and on a review of the conditions under which the relationship is contemplated (or a review of the nature and purpose of the relationship).

At Beobank, a gap analysis was conducted at the end of 2020 in order to identify any adjustments to be made to the Bank's anti-corruption system. The policy defines the legal framework governing corruption and its general principles applicable for all in order to avoid any behavior that would constitute an act of corruption, as well as the penalties related to non-compliance with the procedure.

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. In order to improve the quality and processing times, activities have been centralized within the financial security function and the number of analysts was increased. Periodic and permanent controls are implemented to ensure that risks are covered and the procedures implemented are consistent. The assessments carried out in 2020 found that the quality of the system was "satisfactory".

Crédit Mutuel manages and ensures the security of large numbers of financial transactions, and is conscious of its responsibility as a credit institution. For this reason, it has made considerable efforts to raise employee awareness and enhanced security and set up more robust security measures for certain customer transactions and subscriptions.

Training modules can be accessed on the employee intranet. New hires take the module within six 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.

In 2020 a webinar was organized by the financial security teams for customer advisors. The objective is to exercise increased vigilance on sensitive transactions, guarantee the security of commercial activities, and optimize the tools and processes put in place. Over the course of the year, the overall training effort enabled to train 94% of employees.

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 in line with 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. Following the introduction of the Payment Services Directive (PSD) to regulate payment services based on a legal framework, the second part of this European Directive (PSD2) was deployed in 2020. The PSD2 has been implemented since September 14, 2019 and aims to make payments in Europe even simpler, more secure and more efficient. This means that all online transactions in Europe can only take place 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. Accordingly, customers will no longer be able to complete a purchase by simply entering their bank card number and CVV code (with the exception of transactions presenting a minimal risk of fraud). In order to give everyone the time to make these changes, CMNE supports its customers and is implementing the directive in several stages.

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 Labour 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 provide further information to 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 law, 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 with respect to the labor-related, social and environmental issues involved. Next, indicators (KPIs) 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 Non-Financial Performance Statement (NFPS). 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 signed within the company and their impact on the economic performance of the company and on the working conditions of employees and actions to combat 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 Actea and Bail Actea Immobilier).

The business model, as well as the ESG map/key performance indicators, can be found at the beginning of the chapter, on pages 142 to 143.

5.9 REPORT OF THE INDEPENDENT THIRD PARTY ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT INCLUDED IN THE MANAGEMENT REPORT

Fiscal year ended December 31, 2020

To the shareholders' meeting of the company,

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, 2020 (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.

Corporate 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.

The Statement was prepared in application of the group's procedures (hereinafter the "Guidelines"), the significant items of which are presented in the Statement or available on request at the group's headquarters.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the 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[1]:

- 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 second paragraph of Section III of Article L.225-102-1;

(1) ISAE 3000 – Assurance engagements other than audits or reviews of hitorical financial information.

- 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. For all the main non-financial risks, our work was performed at the level of the consolidating entity, for the other risks, work was performed at the level of the consolidating entity and at the level of CFCMNE depending on the indicators;
- 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 CFCMNE, depending on the indicators and covers between 60 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 2020 and April 2021 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 the provisions of 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.

Independent Third Party

Mazars SAS

Paris-La Défense, April 13, 2021

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

QUANTITATIVE INDICATORS INCLUDING KEY PERFORMANCE INDICATORS

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

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6

FINANCIAL REPORT

6.1 STATEMENT OF FINANCIAL POSITION: ASSETS AT DECEMBER 31, 2020

In € thousands	Note	12/31/2020	12/31/2019	Change	
Cash and amounts due from central banks – Assets	1	1,058,662	1,078,742	-20,080	-1.86%
Financial assets at fair value through profit of loss	6, 9	1,044,087	1,268,389	-224,302	-17.68%
Hedging derivatives – Assets	7	2,708	8,367	-5,659	-67.63%
Financial assets at fair value through other comprehensive income (OCI)	4, 5, 9	1,869,847	2,585,127	-715,280	-27.67%
Securities at amortized cost	2, 5	43,597	150,442	-106,845	-71.02%
Loans and receivables to credit institutions	2, 5	3,935,598	2,922,805	1,012,793	34.65%
Loans and receivables due from customers at amortized cost	2, 5	18,095,164	17,373,111	722,053	4.16%
Remeasurement adjustment on interest rate risk hedged portfolios	7	63,224	50,543	12,681	25.09%
Investments in insurance business lines	8	-	-	-	
Current tax assets	11	80,765	94,487	-13,722	-14.52%
Deferred tax assets	11	51,438	56,867	-5,429	-9.55%
Accruals and other assets	12	371,265	450,451	-79,186	-17.58%
Non-current assets held for sale	12	-	46,127	-46,127	-100.00%
Deferred profit sharing		-	-	-	
Investments in associates	13	1,522,129	1,409,080	113,049	8.02%
Investment property	14	216,847	191,337	25,510	13.33%
Property, equipment and finance leases as lessee	15	233,231	250,414	-17,183	-6.86%
Intangible assets	15	34,225	37,426	-3,201	-8.55%
Goodwill	16	200,386	198,993	1,393	0.70%
TOTAL ASSETS		**28,823,174**	**28,172,709**	**650,465**	**2.31%**

6.2 STATEMENT OF FINANCIAL POSITION: LIABILITIES AT DECEMBER 31, 2020

In € thousands	Note	12/31/2020	12/31/2019	Change	
Central banks – Liabilities	3	-	-	-	
Financial liabilities at fair value through profit or loss	6, 9	155,101	597,133	-442,032	-74.03%
Hedging derivatives – Liabilities	7	53,159	62,245	-9,086	-14.60%
Due to credit institutions	3	863,371	1,071,094	-207,723	-19.39%
Due to customers	3	20,462,660	18,544,986	1,917,674	10.34%
Debt securities	3	2,032,731	2,629,076	-596,345	-22.68%
Remeasurement adjustment on interest rate risk of hedged portfolios	7	-	-	-	
Current tax liabilities	11	27,144	75,383	-48,239	-63.99%
Deferred tax liabilities	11	15,281	14,439	842	5.83%
Accruals and other liabilities	12	681,384	787,216	-105,832	-13.44%
Liabilities associated with assets held for sale	12	-	33,370	-33,370	-100.00%
Liabilities related to insurance business policies		-	-	-	
Provisions for contingencies and charges	17	148,383	149,104	-721	-0.48%
Subordinated debt	3	821,953	819,321	2,632	0.32%
Shareholders' equity	18	3,562,007	3,389,342	172,665	5.09%
Shareholders' equity attributable to owners of the parent		3,519,053	3,337,019	182,034	5.45%
Subscribed capital		1,407,909	1,376,633	31,276	2.27%
Additional paid-in capital		2,750	2,750	-	-
Consolidated reserves – group		1,780,817	1,642,721	138,096	8.41%
Net profit/(loss) – group		163,133	162,280	853	0.53%
Unrealized gains or losses – group		164,445	152,635	11,810	7.74%
Shareholders' equity – Non-controlling interests		42,954	52,322	-9,368	-17.90%
TOTAL LIABILITIES		**28,823,174**	**28,172,709**	**650,465**	**2.31%**

6.3 NET INCOME AT DECEMBER 31, 2020

In € thousands	Note	12/31/2020	12/31/2019	Change	
Interest and similar income	20	604,922	1,043,461	-438,539	-42.03%
Interest and similar expenses	20	-219,520	-648,378	428,858	-66.14%
Fee and commission income	21	295,806	291,904	3,902	1.34%
Fee and commission expense	21	-71,764	-69,970	-1,794	2.56%
Net gain/(loss) on financial instruments at fair value through profit or loss	22	-10,815	3,909	-14,724	-376.67%
Net gain/loss on financial assets at FVOCI	23	3,275	3,086	189	6.12%
Gains/losses on financial assets at amortized cost	24	-	-	-	
Income/expenses generated by other activities	25	163,438	188,666	-25,228	-13.37%
Net banking income (IFRS)		765,343	812,678	-47,335	-5.82%
General operating expenses (IFRS)	**27**	**-657,104**	**-730,836**	**73,732**	**-10.09%**
Gross operating income (IFRS)		108,239	81,842	26,397	32.25%
Cost of risk	**28**	**-42,931**	**-21,899**	**-21,032**	**96.04%**
Operating income (IFRS)		65,308	59,943	5,365	8.95%
Share of profit or loss of associates	13	98,683	103,199	-4,516	-4.38%
Net gains/(losses) on other assets	29	17,762	16,696	1,066	6.38%
Change in value of goodwill	**30**	**-**	**7**	**-7**	**-100.00%**
Net income before tax (IFRS)		181,753	179,845	908	1.06%
Corporate income tax	31	-17,760	-15,498	-2,262	14.60%
Post-tax gain/(loss) on discontinued operations	**12**	**3,465**	**17,381**	**-13,916**	**-80.06%**
Total net income (IFRS)		167,457	181,728	-14,271	-7.85%
Consolidated net income – Non-controlling interests		**4,325**	**19,448**	**-15,123**	**-77.76%**
NET INCOME (LOSS)		**163,133**	**162,280**	**853**	**0.53%**

STATEMENT OF NET PROFIT/(LOSS) AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

In € thousands	Note	12/31/2020	12/31/2019	Change	
Net income (loss)		**167,457**	**181,728**	**-14,271**	**-7.85%**
Translation adjustments		-1,004	1,127	-2,131	-189.07%
Revaluation of available-for-sale financial assets		-	-	-	-
Remeasurement of financial assets at fair value through equity – debt instruments		-4,031	16,564	-20,595	-124.34%
Reclassification of financial assets from fair value through shareholders' equity at fair value through profit or loss		-	-	-	-
Remeasurement of insurance business investments		-	-	-	-
Remeasurement of hedging derivatives		496	85	411	483.53%
Share of unrealized or deferred gains and losses of equity-accounted entities		18,467	37,531	-19,064	-50.79%
Total recyclable gains and losses recognized directly in equity	32, 33	**13,929**	**55,307**	**-41,378**	**-74.82%**
Revaluation of financial assets at fair value through equity – capital instruments at closing		-2,931	1,736	-4,667	-268.84%
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year		22	4,461	-4,439	-99.51%
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		1,009	1,537	-528	-34.35%
Share of unrealized or deferred gains and losses of equity-accounted entities		-218	15,740	-15,958	-101.39%
Total non-recyclable gains and losses recognized directly in equity	32, 33	**-2,118**	**23,474**	**-25,592**	**-109.02%**
Impact of merger of insurance businesses (not deemed to be income)		-	-	-	-
Net profit/(loss) and gains and (losses) recognized directly in equity		**179,267**	**260,509**	**-81,242**	**-31.19%**
Attributable to owners of the parent		*174,943*	*241,061*	*-66,118*	*-27.43%*
Attributable to non-controlling interests		*4,325*	*19,448*	*-15,123*	*-77.76%*

6.4 CHANGES IN EQUITY AT DECEMBER 31, 2020

	Capital and related reserves				
In € thousands	Capital	Reserves related to capital[1]	Elimination Treasury stock	Consolidated reserves	Related to translation adjustments
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2019	**1,376,633**	**2,750**	**-**	**1,642,721**	**-3,244**
Change in capital	31,276	-	-	-	-
Elimination of treasury shares	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-
Equity component of hybrid instruments	-	-	-	-	-
Equity component of share-based payment plans	-	-	-	-	-
Appropriation of 2019 earnings	-	-	-	162,280	-
Dividends in respect of 2019 net profit (reinvestment in shares)	-	-		-19,283	-
Subtotal of movements related to relations with shareholders	**31,276**	**-**	**-**	**142,997**	**-**
Changes in gains and losses recognized directly in equity[2][3]	-	-	-	-	-1,004
Realized non-recyclable gains and losses on financial assets at FVOCI	-	-	-	-8,196	
Net income at December 31, 2020	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-8,196**	**-1,004**
Impact of acquisitions and disposals on non-controlling interests	-	-	-	1,998	-
Change in accounting methods	-	-	-	-	-
Share of changes in equity of equity-accounted associates and joint ventures	-	-	-	1,981	73
Other variations	-	-	-	-685	
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2020	**1,407,909**	**2,750**	**-**	**1,780,816**	**-4,175**

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.

(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.

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 gains and losses	Net profit/(loss) attributable to owners of the parent	Shareholders' equity attributable to owners of the parent	Shareholders' equity attributable to non-controlling interests	Total consolidated shareholders' equity
-13,463	**179,989**	**-10,647**	**162,280**	**3,337,019**	**52,322**	**3,389,342**
-	-	-	-	31,276	-	31,276
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-162,280	-	-	-
-	-	-		-19,283	-	-19,283
-	**-**	**-**	**-162,280**	**11,993**	**-**	**11,993**
1,009	-4,031	496		-3,530	-	-3,530
	-2,909			-11,105		-11,105
			163,133	163,133	4,325	167,458
1,009	**-6,940**	**496**	**163,133**	**148,498**	**4,325**	**152,823**
				1,998	-13,693	-11,695
				-		-
-187	18,363			20,230		20,230
				-685		-685
12,641	**191,412**	**-10,151**	**163,133**	**3,519,053**	**42,954**	**3,562,007**

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6.5 NET CASH FLOWS AT DECEMBER 31, 2020

In € millions	12/31/2020	12/31/2019
Net profit/(loss)	**167**	**182**
Tax	18	15
Profit/(loss) before tax	**185**	**197**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	44	44
- Impairment of goodwill and other fixed assets	-1	1
+/- Net provisions and impairments	1	-8
+/- Share of income from companies consolidated using the equity method	-99	-103
+/- Net loss/gain from investing activities	0	1
+/- Income/expense from financing activities	0	0
+/- Other movements	-75	185
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	-129	120
+/- Flows related to transactions with credit institutions (a)	-1,240	-570
+/- Flows related to customer transactions (b)	1,206	186
+/- Flows related to other transactions affecting financial assets or liabilities (c)	8	250
+/- Flows related to other transactions affecting non-financial assets or liabilities	0	-9
- Taxes paid	-11	-6
= Net decrease/increase in assets and liabilities from operating activities	-37	-149
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**19**	**169**
+/- Flows related to financial assets and investments (d)	103	-1
+/- Flows related to investment property (e)	-30	-66
+/- Flows related to property, plant and equipment and intangible assets (f)	-23	-23
TOTAL NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**50**	**-91**
+/- Cash flows relating to transactions with shareholders (g)	12	50
+/- Other cash flows relating to financing activities (h)	-108	-314
TOTAL NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**-96**	**-264**
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)	-28	-186
Net cash flow generated by operating activity (A)	19	169
Net cash flow generated from investing activities (B)	50	-91
Net cash flow generated from financing transactions (C)	-96	-264
Effect of foreign exchange rate changes on cash and cash equivalents (D)	0	0
Cash and cash equivalents at opening	**1,224**	**1,410**
Cash, central banks (assets & liabilities)	1,079	982
Accounts (assets and liabilities) and demand loans/borrowings from credit institutions	145	428
Cash and cash equivalents at closing	**1,196**	**1,224**
Cash, central banks (assets & liabilities)	1,059	1,079
Accounts (assets and liabilities) and demand loans/borrowings from credit institutions	137	145
CHANGE IN NET CASH POSITION	**-28**	**-186**

In € millions	12/31/2020	12/31/2019
(a) Cash flows relating to transactions with credit institutions break down as follows:		
+/- Cash inflows and outflows on receivables due from credit institutions	-1,218	377
+/- Cash inflows and outflows on amounts due to credit institutions, excluding accrued interest	-22	-947
(b) Cash flows relating to customer transactions break down as follows:		
+/- Cash inflows and outflows on receivables due from customers, excluding accrued interest	-713	-800
+/- Cash inflows and outflows on amounts due to customers, excluding accrued interest	1,920	986
(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	-61	116
+/- Cash inflows and outflows on financial liabilities recognized at fair value through profit or loss	-78	-79
- Cash outflows from acquisitions of financial assets at FV through OCI – debt instruments	667	198
+/- Cash inflows and outflows on debt securities	-521	15
(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	-3	-2
+ Cash inflows on sales of shares in equity-accounted companies	0	0
+ Cash inflows from dividends received	0	0
- Cash outflows from acquisitions of shares at amortized cost	-277	-1,275
+ Cash inflows from acquisitions of shares at amortized cost	384	1,271
- Cash outflows from acquisitions of financial assets at FV through OCI – capital instruments	-1	-2
+ Cash inflows from acquisitions of financial assets at FV through OCI – capital instruments	1	8
+/- 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	-31	-76
+ Cash inflows on sales of investment property	1	9
(f) Cash flows relating to property, equipment and intangible assets break down as follows:		
- Cash outflows on acquisitions of property, equipment and intangible assets	-25	-26
+ Cash inflows on sales of property, equipment and intangible assets	3	3
(g) Cash flows relating to transactions with shareholders break down as follows:		
+ Cash inflows on the issuance of capital instruments	31	72
+ Cash inflows on the sale of capital instruments	0	0
- Cash outflows relating to dividends paid	-19	-23
- 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	2	479
- Cash outflows relating to debt repayments and debt securities	-109	-791
+ Cash inflows from the issuance of subordinated debt	0	0
- Cash outflows relating to subordinated debt repayments	-1	-2

NB: It should be noted that the changes in technical provisions for life insurance contracts are neutralized in the restatements of net allocations to provisions and are included in cash inflows/outflows from acquisitions of financial assets.

6.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared in accordance with IFRS, as adopted by the European Union)

As of December 31, 2020

The notes to the consolidated financial statements are divided into six parts:

- I General information
- II Consolidation methods and principles, scope
- III Accounting principles
- IV Notes to the statement of financial position and income statement
- V Segment information
- VI Other information

I. GENERAL INFORMATION

Crédit Mutuel is a cooperative bank governed by the French law 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, 2020, the group has been applying the amendments adopted by the EU and the IFRIC decision as presented below:

6.6.1 Amendment to IAS 1 and IAS 8

This amendment modifies the definition of the term "materiality" in order to clarify it and harmonize it between the conceptual framework and IFRS. Pursuant to this amendment, information is 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.

6.6.2 Amendment to IFRS 3

This amendment clarifies the definition of an activity. It introduces a two-step analysis approach, which aims to facilitate the distinction between an acquisition of an activity and an acquisition of a group of assets (the latter is recognized according to the standard applicable to it).

This amendment would affect the group in transactions such as takeovers or acquisitions of interests in a joint operation carried out on or after January 1, 2020. The group has not carried out such transactions since January 1, 2020.

6.6.3 Amendment to IFRS 16 – Reductions in rents related to COVID-19

This amendment introduces a simplification measure for lessees benefiting from rent concessions in the context of the COVID-19 crisis.

It offers the option to exempt itself from the analysis of a modification of the lease, if the rent arrangements are a direct consequence of the COVID-19 pandemic, and if the following conditions have been met:

- the amended rents are substantially the same as or lower than the rents provided for in the initial lease;
- the reduction in rent payments only applies to payments due until June 30, 2021;
- there are no substantial changes to the other terms and conditions of the lease.

If the lessee opts for this exemption, the rent reductions will generally be recognized in a similar way to negative variable rents. They will be recognized in the income statement in the period during which the exemption is granted, with a corresponding reduction in the payable.

Finally, the amendment has no direct effect on the valuation of the right of use of the lease in question.

The Crédit Mutuel group is not affected by these provisions.

For any rent concession granted in its capacity of lessor on finance leases, the group applies the provisions of IFRS 9.

6.6.4 Reform of reference rates and Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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 and for some LIBOR (USD Libor) maturities, possibly until June 30, 2023 (consultation in progress). Eventually, the old benchmark indexes (Libor, Eonia, Euribor, etc.) will no longer be used unless they comply with the new regulations or benefit from an exceptional contribution extension.

In order to ensure a smooth transition, the group has listed the impacts in the legal, commercial, organizational, tools and financial/accounting areas. It launched the operation in project mode in the first quarter of 2019, and ensures that the risks associated with this transition are covered.

Regarding accounting aspects, the IASB's work on the effects of the reform of benchmark rates on financial information was 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 period of transition towards the new indices as soon as they are defined: notably, the handling of questions related to the derecognition and documentation of hedging relationships (notably the ineffective part).

Since January 1, 2019, the group is applying the Phase 1 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.

The group believes that uncertainty remains regarding the Eonia, Euribor and Libor rates until the European Commission has formally designated, pursuant to the recommendations of the US ARRC for Libor or the RFR group for Eonia and Euribor, substitution indexes for contracts that do not have a robust fallback clause. This final position will be formalized by an amendment to the BMR Regulation ("BMR Review"), which will be published in 2021. It will establish the revised Euribor rate over the long term and the status of the €STR as a replacement of the Eonia.

Following its adoption by the European Union on January 14, 2021, the group decided to apply the Phase 2 amendment early to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16.

It introduces a special accounting treatment for financial assets/liabilities, for which the changes in the basis for determining contractual cash flows result from the IBOR reform and are made on an equivalent economic basis. Under this amendment, the effective interest rate of the modified financial asset or liability is revised prospectively; its carrying amount remains unchanged.

It also provides for flexible hedge accounting for changes related to the IBOR reform (after the definition of substitution indexes), in particular:

- updating of the description of the hedged risk and the supporting documents, with no effect on the continuity of the hedging relationships;
- a temporary exception on the "separately identifiable" nature of a specific non-contractually hedged risk component. Such risk component indexed to a replacement rate will be considered to be separately identifiable it there is reasonable assurance that it will become identifiable within a period of 24 months after designation, in the context of the development of the replacement index markets.

With regard to existing contracts, the group began its work for the transition to replacement rates by:

- including fallback clauses in over-the-counter derivative contracts, repurchase agreements and loans and borrowings *via* the ISDA protocol (applicable as of January 25, 2021) or by updating the rules books of clearing houses for cleared derivatives. However, these clauses will only be used in the event of triggering events, in particular if the indexes are permanently delisted;

- including a "technical amendment relating to benchmark index events" into FBF agreements entered into with corporate customers or bank counterparties, thereby ensuring the compliance of interest rate transactions before maturity, concluded before February 2020;
- updating contracts by bilateral negotiations between the parties or by updating the commercial conditions (*i.e.* change of the benchmark rate through an amendment). The switch to the new replacement indexes for existing contracts is already scheduled for retail banking.

Lastly, the group's interest rate risk management strategy was not affected as of the reporting date since the transactions processed using the new indexes represent exposures considered to be marginal.

As of December 31, 2020, the Crédit Mutuel Nord Europe group is exposed to the above rates as follows:

In € millions	Financial assets – carrying amounts	Financial liabilities – carrying amounts	Derivatives – Notional amounts	Of which hedging derivatives
Eonia	120	28	622	622
Euribor	1,156	222	3,541	1,993
GBP – Libor	-	-	-	-
USD – Libor	-	-	-	-

Exposures not maturing in 2021 and which will be subject to the changes related to the IBOR reform are presented in the information on risk management.

6.6.5 IFRIC decision of November 26, 2019 on lease terms

The decision outlines that a lease is no longer enforceable when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty. It clarifies that the meaning of penalty is not limited to contractual termination indemnities and that economic incentive to exercise the termination right by the lessee of the contract is a factor to consider. It clarifies the relationship between the term of the lease and the useful life of significant leasehold improvements.

In 2002, work was launched in project mode to implement this decision.

The assumptions used to determine the terms of 3/6/9 commercial leases and tacit renewal leases were reviewed in order to assess the reasonably certain nature of the extension of the lease beyond its initial (non-cancellable) period, based on the specific features the assets in question (bank branches, press division, administrative premises).

The main impact of the IFRIC decision was the activation of leases with automatic extensions. As the CMNE group has no such leases, it did not generate any additional right-of-use or lease liabilities at December 31, 2020.

6.6.6 Amendment to IFRS 4 relating to the extension of the exemption from applying IFRS 9 for all insurance companies

This amendment postpones the temporary exemption from applying IFRS 9 to January 1, 2023, following the postponement of the entry into force of IFRS 17.

6.6.7 Use of estimates

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future, particularly in the context of the COVID-19 pandemic.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market, the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

Highlights of fiscal year 2020

Health crisis linked 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 which may experience difficulties, particularly VSEs/SMEs.

6.6.8 State-guaranteed loans (SGLs)

The group has adhered to the relief plan initiated by the French State. It offers State-guaranteed loans[1] to support the cash flow of its corporate and professional customers.

This financing solutions are loans with fixed-maturity of twelve months, which include a deferred repayment clause over a period of one to five years. On the date of subscription, the interest rate of SGLs was 0%, plus the cost of the State guarantee set at between 0.25% and 0.50% (and charged to the customer through a fee).

At the end of the first 12 months, SGL beneficiaries can opt for a different maturity (no greater than six years) and change the repayment terms. In accordance with announcements made by the French government on January 14, 2021, they will be able to benefit from "one additional year" to start repaying the capital.

The Crédit Mutuel Nord Europe group believes that this deferred repayment measure falls within the legal framework governing SGLs (*i.e.* adjustment of the contractual repayment schedule, with a first annual repayment installment). Taken separately, this "deferral" is not an indicator of a deterioration in credit risk or the probable default of the borrower (*i.e.* "unlikely to pay").

Taken out for the purpose of collecting cash flows and in line with the standard loan criterion, they are recognized at amortized cost, using the interest rate method. Upon initial recognition, they are recognized at their nominal value, which is representative of their fair value.

At December 31, 2020, State-guaranteed loans granted by the group amounted to €277.5 million. Outstanding loans downgraded to status 3 are non-significant.

The measurement of the expected credit losses of these loans factors in the effect from the State guarantee. In France, this guarantee is ensured by the Banque Publique d'Investissement, on 70% to 90% of the remaining capital and interest due. In Belgium, the guarantee granted by the State depends on the default tranches of the reference portfolio, between 0% and 80%.

6.6.9 Loan repayment deferral (moratorium)

In the first half of 2020, the Crédit Mutuel Nord Europe group introduced widespread support measures for corporates and individuals.

It granted automatic deferrals of loan repayments mainly to companies over a period of up to six months[2] (interruption of interest payments and/or deferral of capital repayment), with no additional fees or interest.

All moratoriums were repaid, restructured or subject to final maturity deferral, subject to additional interest.

The group did not recognize any significant cash flow losses for these loans that benefited from these easing measures between March and September 2020.

Outstanding loans subject to moratoriums as of December 31, 2020 relate to the latest support measures granted since September 2020 and amounted to €34.4 million.

6.6.10 Credit risk

The Crédit Mutuel Nord Europe group has taken the publications issued by the IASB, EBA and ESMA at the end of March 2020[3] into account.

It exercises a judgment when recognizing expected credit losses in the exceptional context of the COVID-19 crisis.

More specifically, the repayment deferrals granted until September 30, 2020 by financial sector institutions is not automatically an indicator of a significant deterioration in the credit risk of the financial assets in question nor of a reclassification into restructured assets (forbone).

Repayment deferrals granted after that date rare individual support measures.

The transfer to status 2 or 3 or restructured assets could take place in compliance with group rules.

As provision process for performing loans, the Crédit Mutuel Nord Europe group took into account the unprecedented and brutal nature of the COVID-19 crisis on the macroeconomic environment.

The weighting of the worst-case scenario has been increased in line with the Banque de France's macroeconomic projections[4], to calibrate the forward looking probabilities of default on all portfolios using the internal rating method. This measure was taken in parallel with a more severe worst-case scenario for individual and sole trader customers.

In addition to its direct impact on the amount of provisions, this increase also translated into an increase in transfers to status 2 in connection with the increase in the probability of default at the reporting date.

The overall impact on the cost of risk at December 31, 2020 is estimated at €16.3 million.

It provides protection against default rates x2 for professional/corporate retail banking customers, a 75% increase in default rates for individuals and an increase of more than 50% for Corporate customers excluding large corporates.

(1) The main characteristics of State-guaranteed loans and the mechanism for triggering the guarantee are summarized in Article 2 of the Order of March 23, 2020 granting the State guarantee to credit institutions and finance companies, as well as the lenders mentioned in Article L.548-1 of the French Monetary and Financial Code.
(2) Or up to 12 months for companies in the tourism sector.
(3) They refer to the IASB communication of March 27, 2020 on IFRS 9 and COVID-19, and the ESMA statement on the accounting implications of the COVID-19 crisis on the calculation of expected credit losses under IFRS 9 (March 25, 2020).
(4) As its exposures are mainly in France, the group referred to the monthly publications of Banque de France to define its macroeconomic outlook in addition to those of the OECD.

In accordance with the authorities' recommendations, an additional provision has been set aside to anticipate the increase losses for business segments considered to be most vulnerable to health crisis (tourism, gaming, leisure, hotels, restaurants, the automotive and aerospace industries excluding manufacturers, ready-to-wear, beverage retail, light vehicle rentals, passenger and industrial transport services, airlines).

It was booked in accordance with a group methodology implemented nation-wide, which reflects the effects of successive lockdowns. Its calculation includes additional allocations for the probability of default at maturity, while performing loans granted to vulnerable sectors were all transferred to stage 2.

Its impact as of December 31, 2020 is estimated at €10.2 million.

Overall, the effect on the cost of risk totals €26.5 million.

The group conducted a sensitivity test of the cost of risk. An increase of ten points for IRB entities and of five points for the entities under the standardized model would lead to an additional provision of €2.4 million, *i.e.* 2.16% of expected losses.

As part of the measurement of Crédit Mutuel Nord Europe group's goodwill, a valuation review was conducted at December 31, 2020, according to the methods specific to each cash-generating unit. For the Third-party Asset Management and Insurance divisions, this procedure confirmed the absence of any impairment (see note 16 and note 13 respectively).

Lastly, the Crédit Mutuel Nord Europe group has solid financial fundamentals that enable it to deal with this unprecedented crisis, thanks to the level of its shareholders' equity, capital and the resulting ratios.

6.6.11 Targeted Long-term refinancing operations – backed by BFCM under TLTRO III conditions

The Crédit Mutuel Nord Europe group was granted loans by Banque Fédérative du Crédit Mutuel, the financial conditions of which are governed by the TLTRO III program.

Since September 2019, under the TLTRO III program, banks benefit from seven additional refinancing tranches, of a three-year maturity each and with a floating interest rate based on the periods.

The amount that Banque Fédérative du Crédit Mutuel (and consequently the Crédit Mutuel Nord Europe group) can borrow under TLTRO III is based on the percentage of outstanding loans granted to non-financial companies and households as of end-February 2019.

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

It corresponds to the ECB deposit facility rate (DFR) if the volume of loans between March 1, 2020 and March 31, 2021 is less stable. If not, the TLTRO III interest rate will range between the ECB main refinancing operations (MRO) rate and the ECB deposit facility rate (DFR), provided that the volume of loans during the period from April 1, 2019 and March 31, 2021 is stable or up. Otherwise it will correspond to the MRO rate.

During the health crisis, the ECB eased the conditions of these refinancing operations twice to support lending to households and corporates.

The borrowing capacity of banks were increased to 50% of eligible outstandings (compared to 30% previously) and the timeframe for exercising the repayment option was brought down to 12 months.

The TLTRO III interest rate was reduced by 50 bps (*i.e.* additional bonus) from June 2020 to June 2021.

The effective interest rate for these operations is calculated based on the refinancing rate obtained by BFCM, which acts on behalf of the TLTRO group, comprising several federations of Crédit Mutuel. Given the increase in outstandings at end-2020, the group is confident regarding the achievement of its loan performance targets set by the ECB for the period of March 1, 2020 to March 31, 2021.

As this is a floating deposit rate, the effective interest rate applied is determined for each reference period and changes from one period to another. Accordingly, it includes an additional 0.50% premium over the 12 months concerned by said premium.

II. CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

6.6.12 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; all entities under joint control of the group are joint ventures according to the meaning of IFRS 11;
- entities over which the group has significant influence: These are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method.

Investments held by private equity companies and over which joint control or significant influence is exercised are recognized at fair value.

6.6.13 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 equity instruments issued by subsidiaries that are not held by the group.

  Consolidated UCITS and REITs, 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 is applied to all entities under joint control, classified as joint ventures or for all entities under significant influence.

6.6.14 Scope

Details of the consolidation scope of the CMNE group as at December 31, 2020 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				
French Bankinsurance division				
Caisses de Crédit Mutuel + Caisse Fédérale du CMNE + Fédération du CMNE	FRANCE	12/19	100.00	100.00
Bail Actea – 4 place Richebé – 59800 LILLE	FRANCE	12/19	100.00	100.00
CMNE Grand Paris – 4 place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
FCP Richebé Gestion – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	0.00	0.00
Foncière et Immobilière Nord Europe – 4 Place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
GIE CMN Prestations – 4 Place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
Immobilière BCL Lille – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	55.00	55.00
Immobilière du CMN (+ total real estate investment trusts – SCI) – 4 Place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
Bail Actea Immobilier – 4 place Richebé – 59800 LILLE	FRANCE	12/19	100.00	100.00
Nord Europe Partenariat – 2 Rue Andréï Sakharov – BP148 – 76135 MONT-ST-AIGNAN	FRANCE	12/19	99.65	99.65
SFINE Propriété à vie – 4 Place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
SFINE Bureaux – 4 Place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
La Française Global Investments – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	100.00	100.00
SPV Jarna – 9B Boulevard Prince Henri – 1724 LUXEMBOURG	LUXEMBOURG	12/19	100.00	100.00
THEIA Viager – 455 Promenade des Anglais – 06299 NICE	FRANCE	12/19	0.00	0.00
Total French Bankinsurance division				
Belgian Bankinsurance division				
CMNE Belgium – Boulevard de Waterloo, 16 – 1000 BRUSSELS	BELGIUM	12/19	0.00	0.00
BKCP Immo IT SCRL – Boulevard de Waterloo, 16 – 1000 BRUSSELS	BELGIUM	12/19	97.25	97.25
Beobank Belgique – Boulevard Général Jacques, 263G – 1050 BRUSSELS	BELGIUM	12/19	100.00	100.00
Total Belgian Bankinsurance division				
Insurance Division				
GACM – 34 Rue Frédéric-Guillaume Raiffeisen – 67906 STRASBOURG	FRANCE	12/19	10.22	10.22
TOTAL INSURANCE DIVISION				
TOTAL BANKINSURANCE DIVISION				

(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		
-3,210	Parent	12/20	100.00	100.00	20,825	Parent
6,231	FC	12/20	100.00	100.00	4,747	FC
-3	FC	12/20	100.00	100.00	-3	FC
-1,890	NC					
-40	FC	12/20	100.00	100.00	24	FC
0	FC	12/20	100.00	100.00	0	FC
104	FC	12/20	55.00	55.00	564	FC
3,320	FC	12/20	100.00	100.00	1,717	FC
4,169	FC	12/20	100.00	100.00	2,647	FC
-235	FC	12/20	99.67	99.67	-624	FC
-283	FC	12/20	100.00	100.00	-294	FC
-51	FC	12/20	100.00	100.00	-164	FC
-2,110	FC					
2	FC					
-191	NC					
5,813					**29,391**	
167	NC					
599	FC	12/20	97.25	97.25	616	FC
8,436	FC	12/20	100.00	100.00	11,135	FC
9,202					**11,751**	
86,114	EM	12/20	10.22	10.22	51,017	EM
86,114					**51,017**	
101,129					**92,159**	

6

	Country	Closing date	Percentage Control	Percentage Interest
Third-party management division				
Groupe La Française – 128 Boulevard Raspail – 75006 PARIS FRANCE	FRANCE	12/19	100.00	100.00
2A – 5 Boulevard de la Madeleine – 75008 PARIS	FRANCE	12/19	31.15	31.15
Alger Management Ltd – 50 Broadway – LONDON	UK	12/19	0.00	0.00
Augur PM – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY	12/19	100.00	100.00
CD Partenaires – 16 Place de la Madeleine – 75008 PARIS	FRANCE	12/19	0.00	0.00
FCT LFP Créances Immobilières – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	27.09	27.09
Groupe Cholet-Dupont – 16 Place de la Madeleine – 75008 PARIS	FRANCE	12/19	33.73	33.73
Inflection Point by La Française – 125 Old Broad Street – LONDON	UK	12/19	100.00	100.00
JKC Capital Management Ltd – 34-37 Connaught Road Central – HONG KONG SAR	HONG KONG	12/19	50.00	50.00
La Française AM – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	100.00	100.00
France La Française AM Finance Services – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	100.00	100.00
La Française AM Iberia – C/Joaquin Costa 26 – 28002 MADRID	SPAIN	12/19	66.00	66.00
La Française AM International – 4A Rue Henri Schnadt – 2530 LUXEMBOURG	LUXEMBOURG	12/19	100.00	100.00
La Française Forum Securities Limited – 1700 E Putnam Ave, Old Greenwich, CT 06870 – 1366, Delaware – USA	USA	12/19	100.00	100.00
La Française Global Real Estate Investment Management Limited – 12 Berkeley Street – LONDON	UK	12/19	100.00	100.00
La Française Investment Solutions – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	56.04	47.57
La Française Real Estate Managers – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	95.96	95.96
La Française Real Estate Partners – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	100.00	95.96
LF Real Estate Partners Limited – 16 Berkeley Street – LONDON	UK	12/19	100.00	95.96
La Française group UK Finance Limited – 16 Berkeley Street – LONDON	UK			
La Française group UK Limited – 16 Berkeley Street – LONDON	UK			
LFP Multi Alpha – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	100.00	100.00
New Alpha Asset-Management – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	49.10	49.10
Newtown Square – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	100.00	100.00
Nouvelles Expertises et Talents AM – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	100.00	100.00
Siparex XAnge Venture – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	26.50	26.50
Tages Capital LLP – 39 St James' Street – LONDON	UK	12/19	19.00	19.00
Union Générale des Placements – 128 Boulevard Raspail – 75006 PARIS	FRANCE	12/19	63.33	30.13
Veritas Institutional GmbH – Messberg 4 – 20095 HAMBURG	GERMANY	12/19	100.00	100.00
La Française AM GmbH – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY	12/19	100.00	100.00
Veritas Management GmbH – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY	12/19	100.00	100.00
Veritas Portfolio GmbH KG – Mainbuilding, Taunusanlage 18 – 60325 FRANKFURT AM MAIN	GERMANY	12/19	100.00	100.00
TOTAL THIRD-PARTY MANAGEMENT DIVISION				
Services and Other Activities division				
Actea Environnement – 5/7 Rue Frédéric Degeorge – 62000 ARRAS	FRANCE	12/19	100.00	100.00
Euro-Information – 34 Rue du Wacken – 67000 STRASBOURG	FRANCE	12/19	10.15	10.15
Financière Nord Europe – 4 Place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
Fininmad (realtor)	FRANCE	12/19	100.00	100.00
Nord Europe Participations et Investissements – 4 Place Richebé – 59000 LILLE	FRANCE	12/19	100.00	100.00
SCI Centre Gare	FRANCE	12/19	100.00	100.00
Transactimmo – 1 Rue Arnould de Vuez – 59000 LILLE	FRANCE	12/19	100.00	100.00
TOTAL SERVICES AND OTHER ACTIVITIES DIVISION				

(1) EM: Equity method
FC: Full Consolidation

GROUP TOTAL

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		
-15,500	FC	12/20	100.00	100.00	1,209	FC
747	EM	12/20	39.67	39.67	78	EM
8	NC					
-420	FC	12/20	100.00	100.00	-2,032	FC
110	NC					
0	EM					
2,907	EM	12/20	33.73	33.73	1,855	EM
-461	FC	12/20	100.00	100.00	116	FC
-867	EM	12/20	50.00	50.00	-1,463	EM
1,067	FC	12/20	100.00	100.00	1,577	FC
21,580	FC	12/20	100.00	100.00	723	FC
566	FC	12/20	100.00	100.00	74	FC
-1,725	FC					
-4,423	FC	12/20	100.00	100.00	534	FC
-6	FC	12/20	100.00	100.00	0	FC
11,891	FC	12/20	0.00	0.00	1,503	NC
13,600	FC	12/20	96.18	96.18	23,174	FC
6,834	FC					
3,211	FC	12/20	100.00	96.18	-115	FC
		12/20	100.00	96.18	-1,820	FC
		12/20	100.00	96.18	2,284	FC
1,238	FC	12/20	100.00	100.00	-3,676	FC
704	FC	12/20	48.32	48.32	1,070	FC
-1,098	FC	12/20	100.00	100.00	-1,480	FC
862	FC					
725	EM	12/20	26.50	26.50	432	EM
0	EM					
1,863	FC	12/20	0.00	0.00	190	NC
-2	FC	12/20	100.00	100.00	-1,319	FC
0	FC	12/20	100.00	100.00	-3	FC
1	FC	12/20	100.00	100.00	1	FC
1,104	FC	12/20	0.00	0.00	-34	NC
44,516					**22,878**	
-10	FC	12/20	100.00	100.00	-6	FC
13,565	EM	12/20	10.15	10.15	46,765	EM
-12	FC	12/20	0.00	0.00	0	FC
-26	FC	12/20	0.00	0.00	0	FC
-943	FC	12/20	100.00	100.00	-351	FC
4,119	FC	12/20	100.00	100.00	1,634	FC
-58	FC	12/20	100.00	100.00	54	FC
16,635					**48,096**	
162,280			**GROUP TOTAL**		**163,133**	

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	12/19	100.00	100.00	FC	12/20	100.00	100.00	FC
SCI CMN 1	FRANCE	12/19	100.00	100.00	FC	12/20	100.00	100.00	FC
SCI CMN 2	FRANCE	12/19	100.00	100.00	FC	12/20	100.00	100.00	FC
SCI CMN 3	FRANCE	12/19	100.00	100.00	FC	12/20	100.00	100.00	FC
SCI CMN Location	FRANCE	12/19	100.00	100.00	FC	12/20	100.00	100.00	FC
SCI RICHEBE INKERMAN	FRANCE	12/19	100.00	100.00	FC	12/20	100.00	100.00	FC

(1) FC: Full consolidation

ENTITIES CONSOLIDATED USING THE SIMPLIFIED CONSOLIDATION METHOD IN THE CONTEXT OF THE APPLICATION OF IFRS 10

		12/31/2019		12/31/2020	
	Country	% owned	Non-controlling interests recognized *(in € thousands)*	% owned	Non-controlling interests recognized *(in € thousands)*
FERI IV	FRANCE	57.50%	4,410	57.50%	3,416
FORUM GLB INVEST SCS	LUXEMBOURG	36.90%	2,915	36.90%	2,915
Newalpha Opportunites Entrepreneurs – I units	FRANCE	50.54%	10,783		
NEXT INVEST	FRANCE	50.00%	2,700		
BELGIAN CREDIT OPPORTUNITIES	BELGIUM	54.04%	17,142		
FCP Outlook – C shares	FRANCE	79.23%	4,411	65.43%	6,396
EQUITY DEFENDER	LUXEMBOURG			44.68%	12,889
TOTAL CONSOLIDATION USING SIMPLIFIED METHOD			**42,360**		**25,615**

REMINDER: CHANGES IN CONSOLIDATION SCOPE DURING THE PERIOD

	Company name
Inclusions	
Acquisitions	
Creations	
Merger	
Previously-held entities	La Française group UK Finance Limited – 16 Berkeley Street – LONDON
	La Française group UK Limited – 16 Berkeley Street – LONDON
Deconsolidated	
Removals	Tages Capital LLP
	La Française Investment Solutions
	Union Générale des Placements
Liquidation	FCT LFP Créances Immobilières
	Veritas Portfolio GmbH & Co.
Dissolution	
Deconsolidation	SPV Jarna
Transfer of all assets or merger	
Name change	
Mergers	
Within the French Bankinsurance division	La Française Global Investment, merged with Caisse Fédérale du Crédit Mutuel Nord Europe
	Financière Nord Europe, merged with Caisse Fédérale du Crédit Mutuel Nord Europe
Within the Asset Management division	La Française AM International, merged with La Française AM Finance Services
	Nouvelles Expertises et Talents AM, merged with Groupe La Française
	La Française Real Estate Partners, merged with La Française Real Estate Managers
	Absorption of Veritas Portfolio Management GmbH by Augur PM Beteiligungs GmbH
Within the Services and Other activities division	Fininmad, transferred off all of its assets to Nord Europe Participations et Investissements

6.6.15 Consolidation principles

6.6.15.1 Restatements and eliminations

Significant transactions between fully-consolidated entities are eliminated. Significant transactions are those that give rise to income and expense amounts exceeding €2,000 thousand and balance sheet and commitment amounts exceeding €10,000 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.

6.6.15.2 Conversion of foreign currency accounts

The consolidated financial statements of the Crédit Mutuel Nord Europe group are prepared 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*". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

6.6.15.3 Business combinations and goodwill valuation

In accordance with IFRS 3R, when acquiring a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized either at the fair value net of selling costs or their net carrying amount, whichever is the lowest.

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 (CGUs), 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.

6.6.16 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 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 and 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 those 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

6.6.17 Financial instruments under IFRS 9

6.6.17.1 Classification and measurement of financial assets

Under IFRS 9, the classification and measurement of financial instruments depend on the business model and contractual terms of the financial instruments.

Loans, receivables and debt securities acquired

The asset is classified:

- *at amortized cost*, if it is held in order to collect contractual cash flows and if its characteristics are similar to those of a "basic" contract, see the section below "Cash flow characteristics" (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 (Solely Payment of Principal and Interest)[1] 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.

(1) SPPI: Payment of Principal and Interest only.

The early repayment penalty[1] 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.

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:

- financial assets are considered as non-basic interments and are recognized at fair value through profit or loss;
- units in UCITS or UCIs are not basic instruments and are recognized at fair value through profit or loss.

Business models

The business model represents the way in which the instruments are managed to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed 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 remunerated;
- the frequency, timing and volume 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 managed as a whole 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.

(1) The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.

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 other comprehensive income (OCI)

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 of 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".

Income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense), for the sake of consistency with regulatory reports sent to the ECB as part of the Short-Term Exercise (STE). Before, this interest was recognized under "Net gains/(losses) on financial instruments at fair value through profit or loss", in accordance with regulatory statements sent to the ECB as part of the Short-Term Exercise (STE).

In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

Equity instruments acquired

Equity instruments acquired (shares, in particular) are classified as follows:

- at fair value through profit or loss; or
- optionally, at fair value through other non-recyclable comprehensive income at the initial recognition and in an irrevocable manner when they are not held for trading.

Equity instruments which the group has elected to be classified in this category correspond, generally, to strategic holdings.

Financial assets at fair value through other comprehensive income (OCI)

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 of loss

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss (see above).

6.6.17.2 Classification and measurement of financial liabilities

Financial liabilities are classified in one of the following two categories:

Financial liabilities at fair value through profit or loss

- The liabilities incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments; and
- Non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). These include:
  - financial instruments containing one or more separable embedded derivatives,
  - instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied,
  - instruments belonging to a pool of financial 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 led by uniform generation of PEL and CEL in terms of regulated conditions. The impact on profit or loss is recorded under interest paid to customers.

6.6.17.3 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.

6.6.17.4 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.

6.6.17.5 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.

6.6.17.6 Determining the fair value of financial instruments

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.

6.6.17.7 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 offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. 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/expense", 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.

6.6.17.8 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, such financial guarantees continue to be measured using French accounting standards, *i.e.* they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating, index, etc.) or a non-financial variable (provided that this variable is not specific to one of the parties to the agreement) fall within the scope of IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

6.6.17.9 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.

6.6.17.10 Measurement of credit risk

The IFRS 9 impairment model is based on an "expected credit loss" approach.

Under this 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.

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 Order 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:

- at the national level, the Basel III work group approves the national procedures, models and methodologies to be applied by the regional groups;
- at the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

Definition of the boundary between statuses 1 and 2

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

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns 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 into account all reasonable and justifiable information; and
- comparing the risk of default on the financial instrument at the reporting date with the risk of default at the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All 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).

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-balance sheet exposure is converted to an on-balancesheet 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-balance sheet exposure to an on- balance sheet 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 five-year forecast of the business cycle, confirmed 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 Nord Europe 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 of unpaid or late installments is appraised for each borrower (obligor) or group of borrowers (joint obligors) in the case of a joint commitment;
- the default is triggered after 90 consecutive days of unpaid or late installments on the part of an obligor or joint obligors. The 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 counter 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 deployed the new definition of default according to the two-step approach proposed by the EBA:

- step 1 – it consisted 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. This change constituted a change of estimation, for which the non-material impact was booked to profit (loss) in 2019.

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 in 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.

6.6.17.11 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 financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is 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 asset or liability that are not observable market data (non-observable 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.

6.6.18 Insurance business line

The group's insurance divisions governed by the Financial Conglomerates Directive may defer the application of IFRS 9 until 2023, as provided by the amendments 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 chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC Recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. 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 included under the "bankinsurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance divisions.

In accordance with the implementing Regulation 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.

6.6.19 Non-financial instruments

6.6.19.1 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 reported in the consolidated balance sheet at their financial accounting amount. Finance lease transactions transfer substantially all the risks and rewards incidental to ownership of the leased 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).

6.6.19.2 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.

6.6.19.3 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 measured at fair value. The interest income they generate has an effect on profit/(loss). Differences between the actual and expected interest income 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.

6.6.19.4 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.

6.6.19.5 Non-current assets and depreciation/amortization

Non-current assets owned by the group

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable.

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 non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation/amortization schedule. The component approach was retained for operating buildings and investment properties. The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized. Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment

- 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/amortizable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets".

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities".

The fair value of investment property is disclosed in the notes as at each reporting date: this is obtained from independent experts by reference to the market.

Non-current assets leased by the group

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.

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 six-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". Leasehold rights are reclassified as property, plant and equipment when they concern contracts that are not automatically renewable. Rights of use and rental obligations are subject to deferred tax assets or liabilities for the net amount of taxable and deductible temporary differences.

On the income statement, interest charges appear in "interest margin" while depreciation and amortization is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the lease term. This represents at least the non-cancellable period of the lease and may be extended to take into account any renewal/extension option that the group is reasonably certain to exercise. With regard to the operational implementation of the group's methodology, any new 3/6/9 commercial lease will be capitalized for a term of nine years by default (or for a term equal to its non-cancellable period in the case of different type of lease). The term of any automatic extension leased will be extended until the end date of the medium-term plan, a reasonable timeframe for renewing the lease. For exceptional 3/6/9 leases, the contract will be capitalized for a term of 12 years, as the group has no economic reason to extend the lease beyond said term, given the cancellation of the cap on rents beyond that period;
- the discount rate is the marginal rate of indebtedness 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.

6.6.19.6 Fees and commissions

The group recognizes in profit or loss income and expenses from fees and commissions 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.

6.6.19.7 Income tax

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

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

Deferred tax

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.

Uncertainties over income tax treatment

In accordance with IFRIC 23, the group is assessing the probability of the tax authority accepting the tax position taken. It is assessing the likely effects on the result for tax purposes, tax bases, tax loss carryforwards, unused tax credits and rates of taxation.

In the event of an uncertain tax position, the amounts payable are estimated on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

6.6.19.8 Interest paid by the State on 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.

6.6.19.9 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 notes summary

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTES TO THE INCOME STATEMENT

NOTES TO THE STATEMENT OF NET PROFIT/(LOSS) AND PROFITS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

(Notes are presented in € thousands)

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTE 1 Cash and amounts due from central banks

	12/31/2020	12/31/2019	Change	
Local bank, central banks – asset				
Central banks	959,203	996,493	-37,290	4%
of which mandatory reserves	*60,598*	*158,827*	*-98,229*	*-62%*
Cash	99,459	82,249	17,210	21%
TOTAL	**1,058,662**	**1,078,742**	**-20,080**	**2%**

NOTE 2 Financial assets at amortized cost

	12/31/2020	12/31/2019	Change	
Loans and receivables due from credit institutions	3,935,598	2,922,805	1,012,793	35%
Loans and receivables due from customers	18,095,164	17,373,111	722,053	4%
Securities at amortized cost	43,597	150,442	-106,845	71%
TOTAL	**22,074,359**	**20,446,358**	**1,628,001**	**8%**

2 a Loans and receivables due from credit institutions at amortized cost

	12/31/2020	12/31/2019	Change	
Performing loans (S1/S2)	3,918,388	2,900,288	1,018,100	35%
• *Crédit Mutuel network accounts*[1]	*3,679,057*	*2,339,962*	*1,339,095*	*57%*
• *Other ordinary accounts*	*64,584*	*101,874*	*-37,290*	*-37%*
• *Loans*	*28,523*	*31,155*	*-2,632*	*-8%*
• *Other receivables*	*146,224*	*226,211*	*-79,987*	*35%*
• *Resale agreements*	*0*	*201,086*	*-201,086*	*100%*
Individually-impaired receivables, gross (S3)	0	0	0	
Accrued interest	17,211	22,518	-5,307	-24%
Impairment of performing loans (S1/S2)	-1	-1	0	0%
TOTAL	**3,935,598**	**2,922,805**	**1,012,793**	**35%**

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A) and, since 2020, the centralization at Caisse Centrale de Crédit Mutuel of liquidities deposited at the Central Bank for the French Bankinsurance division.

2 b Loans and receivables due from customers at amortized cost

	12/31/2020	12/31/2019	Change	
Performing loans (S1/S2)	16,189,510	15,540,031	649,479	4%
• Commercial loans	3,366	4,243	-877	-21%
• Other customer receivables	16,160,416	15,508,317	652,099	4%
• *home loans*	*9,590,710*	*8,998,928*	*591,782*	*7%*
• *other loans and receivables*[1]	*6,569,706*	*6,509,389*	*60,317*	*1%*
• Accrued interest	25,728	27,471	-1,743	-6%
Individually-impaired receivables, gross (S3)	874,784	873,579	1,205	0%
Receivables, gross	**17,064,294**	**16,413,610**	**650,684**	**4%**
Impairment of performing loans (S1/S2)	-96,280	-83,936	12,344	15%
Other impairment (S3)	-470,894	-488,789	17,895	4%
SUB TOTAL I	**16,497,120**	**15,840,885**	**656,235**	**4%**
Finance leases (net investment)	1,580,606	1,498,919	81,687	5%
• Equipment	1,269,254	1,173,500	95,754	8%
• Real estate	311,352	325,419	-14.067	4%
Individually-impaired receivables, gross (S3)	41,773	53,513	-11,740	-22%
Impairment of performing loans (S1/S2)	-12,157	-8,629	-3,528	41%
Other impairment (S3)	-12,178	-11,577	-601	5%
SUB TOTAL II	**1,598,044**	**1,532,226**	**65,818**	**4%**
TOTAL	**18,095,164**	**17,373,111**	**722,053**	**4%**
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 (€3,882 thousand) and Fonds de Garantie des Dépôts (€10,886 thousand).

(2) Subordinated loan granted to ACM Vie.

FINANCE LEASE TRANSACTIONS WITH CUSTOMERS

	12/31/2019	Increase	Decrease	Other	12/31/2020
Gross carrying amount	1,552,432	207,641	-137,694	0	1,622,379
Impairment of non-recoverable lease payments	-20,206	-8,611	4,536	-54	-24,335
Net carrying amount	1,532,226	199,030	-133,158	-54	1,598,044

2 c Securities at amortized cost

	12/31/2020	12/31/2019	Change	
Securities	43,788	150,802	-107,014	71%
• Government securities	0	0	0	-
• Bonds and other debt securities	43,788	150,802	-107,014	71%
• Listed	0	0	0	-
• Unlisted	43,788	150,802	-107,014	71%
• Accrued interest	0	0	0	-
TOTAL GROSS	**43,788**	**150,802**	**-107,014**	**71%**
Of which impaired assets (S3)	*0*	*0*	*0*	-
Impairment of performing loans (S1/S2)	-191	-360	169	-47%
Other impairment (S3)	0	0	0	-
TOTAL NET	**43,597**	**150,442**	**-106,845**	**71%**

2 d Concentration of credit risk by economic agent

In connection with the COVID-19 health crisis, the gross amount by economic agent is presented below:

	Gross amount			
	Total	o/w status 1	o/w status 2	o/w status 3
Loans and advances	**22,437,850**	**20,113,131**	**1,408,162**	**916,557**
Central banks	-	-	-	-
Governments	52,690	50,991	1,384	315
Credit institutions	3,750,645	3,749,991	17	637
Other financial sector	268,872	263,763	2,539	2,570
Non-financial enterprises	5,976,341	4,778,761	938,812	258,768
of which: small and medium-sized enterprises	*5,584,283*	*4,474,518*	*873,817*	*235,948*
Households	12,389,302	11,269,625	465,410	654,267
Debt instruments	**43,788**	**43,788**	**-**	**-**
Central banks	-	-	-	-
Governments	-	-	-	-
Credit institutions	-	-	-	-
Other financial sector	-	-	-	-
Non-financial enterprises	43,788	43,788	-	-
Off-balance sheet commitments	**2,897,317**	**2,820,606**	**67,770**	**8,941**
Central banks	50,000	50,000	-	-
Governments	1,345	1,345	-	-
Credit institutions	231,015	212,883	13,207	4,925
Other financial sector	39,295	39,137	142	16
Non-financial enterprises	631,501	590,583	30,445	10,473
Households	2,377,659	2,325,705	43,888	8,066
TOTAL	**25,378,955**	**22,977,525**	**1,475,932**	**925,498**

2 e Gross carrying amount of exposures by category and probability of default tranche

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	1,962,497	6,657	0	0
0.1-0.25	0	4,528,464	222	0	0
0.26-0.99	0	2,532,312	12,997	0	0
1-2.99	155	5,792,789	298,942	0	0
3-9.99	192	1,237,379	583,922	0	0
>=10	950	133,334	680,601	0	915,260
TOTAL	**1,297**	**16,317,106**	**1,583,341**	**0**	**915,260**

NOTE 3 Financial liabilities at amortized cost

3 a Amounts due to central banks and credit institutions

	12/31/2020	12/31/2019	Change	
Due to central banks	**0**	**0**	**0**	
Due to credit institutions	**863,371**	**1,071,094**	**-207,723**	**-19%**
Other ordinary accounts	34,937	32,605	2,332	7%
Borrowings	754,579	262,106	492,473	188%
Other debt	72,066	123,494	-51,428	-42%
Resale agreements	0	651,014	-651,014	100%
Related debt	1,789	1,875	-86	-5%

3 b Amounts due to customers at amortized cost

	12/31/2020	12/31/2019	Change	
Special savings accounts	13,401,349	12,714,026	687,323	5%
• Demand	10,795,364	10,197,601	597,763	6%
• Term	2,605,985	2,516,425	89,560	4%
Related liabilities on savings accounts	2,572	4,418	-1,846	-42%
Sub-total	**13,403,921**	**12,718,444**	**685,477**	**5%**
Demand accounts	6,875,724	5,578,110	1,297,614	23%
Term deposits and borrowings	177,989	243,219	-65,230	-27%
Resale agreements	0	0	0	-
Related debt	2,592	2,683	-91	-3%
Other debt	2,434	2,530	-96	4%
Insurance and reinsurance debts	0	0	0	-
Sub-total	**7,058,739**	**5,826,542**	**1,232,197**	**21%**
TOTAL	**20,462,660**	**18,544,986**	**1,917,674**	**10%**

3 c Debt securities at amortized cost

	12/31/2020	12/31/2019	Change	
Certificates of deposit	28,144	31,273	-3,129	10%
Interbank certificates and negotiable debt instruments	1,284,039	1,801,958	-517,919	29%
Bonds	712,149	784,367	-72,218	-9%
Related debt	8,399	11,478	-3.079	-27%
TOTAL	**2,032,731**	**2,629,076**	**-596,345**	**-23%**

3 d Subordinated debt at amortized cost

	12/31/2020	12/31/2019	Change	
Subordinated debt	664,969	662,271	2,698	0%
Perpetual subordinated debt	150,000	150,000	0	0%
Related debt	6,984	7,050	-66	1%
TOTAL	**821,953**	**819,321**	**2,632**	**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		-	-	3,369	-
Related debt		-	-	6,984	-
TOTAL		**-**	**-**	**821,953**	**-**

NOTE 4 Financial assets at fair value through other comprehensive income

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

	12/31/2020	12/31/2019	Change	
Government securities	423,003	428,953	-5,950	1%
Bonds and other debt securities	1,394,001	2,100,351	-706,350	-34%
• *Listed*	*1,167,889*	*1,603,179*	*-435,290*	*-27%*
• *Unlisted*	*226,112*	*497,172*	*-271,060*	*-55%*
Accrued interest	7,336	10,796	-3,460	-32%
Debt securities subtotal, gross	**1,824,340**	**2,540,100**	**-715,760**	**-28%**
Of which impaired debt securities (S3)	*0*	*0*	*0*	-
Impairment of performing loans (S1/S2)	-2,089	-761	-1,328	175%
Other impairment (S3)	0	0	0	-
Debt securities subtotal, net	**1,822,251**	**2,539,339**	**-717,088**	**-28%**
Shares and other capital instruments	2,979	5,573	-2,594	-47%
• *Listed*	*0*	*0*	*0*	-
• *Unlisted*	*2,979*	*5,573*	*-2,594*	*-47%*
Long-term investments	44,617	40,215	4,402	11%
• *Equity investments*	*10,182*	*12,028*	*-1,846*	*-15%*
• *Other long-term investments*	*13,878*	*8,937*	*4,941*	*55%*
• *Investments in subsidiaries and associates*	*20,557*	*19,250*	*1,307*	*7%*
Sub-total, capital instruments	**47,596**	**45,788**	**1,808**	**4%**
TOTAL	**1,869,847**	**2,585,127**	**-715,280**	**-28%**
Of which unrealized capital gains or losses recognized under equity	*18,896*	*26,766*	*-7,870*	*29%*
Of which listed equity investments	*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%	676,948	18,244,895	16,232	8,924

Data at 12/31/2020

NOTE 5 Gross values and movements in impairment provisions

5 a Gross values subject to impairment

	12/31/2019	Acquisition/ production	Sale/ repayment	Amendment of flows[1]	Transfer[2]	Other	12/31/2020
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**2,922,806**	**1,041,189**	**-28,397**	**0**	**0**	**0**	**3,935,598**
• 12-month expected losses (S1)	2,922,806	1,041,189	-28,397	0	0	0	3,935,598
• 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 amortized cost – loans and receivables due from customers, subject to	**17,963,460**	**4,994,341**	**-3,785,453**	**-485,675**	**0**	**0**	**18,686,673**
• 12-month expected losses (S1)	16,040,075	4,521,539	-3,583,061	-362,080	-429,698	0	16,186,775
• expected losses at termination (S2)	996,293	442,379	-129,499	-156,555	430,723	0	1,583,341
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	925,927	29,602	-72,223	32,979	-1,025	0	915,260
• expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	1,165	821	-670	-19	0	0	1,297
Financial assets at amortized cost – securities, subject to	**150,802**	**39,995**	**-147,009**	**0**	**0**	**0**	**43,788**
• 12-month expected losses (S1)	150,802	39,995	-147,009	0	0	0	43,788
• 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, subject to	**2,585,888**	**115,011**	**-876,559**	**0**	**0**	**0**	**1,824,340**
• 12-month expected losses (S1)	2,580,808	115,011	-876,559	0	-14,920	0	1,804,340
• expected losses at termination (S2)	5,080	0	0	0	14,920	0	20,000
• 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	**23,622,956**	**6,190,536**	**-4,837,418**	**-485,675**	**0**	**0**	**24,490,399**

(1) Of which transfer of buckets.

(2) Amendment of flows not giving rise to derecognition.

5 b Movements in impairment provisions

	12/31/2019	Addition[1]	Reversal[1]	Other	12/31/2020
Financial assets at amortized cost – loans and receivables due from credit institutions	-1	0	0	0	-1
Financial assets at amortized cost – loans and receivables due from customers	-590,349	-154,962	153,361	441	-591,509
Financial assets at amortized cost – securities	-360	-191	360	0	-191
Financial assets at FVOCI – debt securities	-761	-1,679	350	1	-2,089
Financial assets at FVOCI – Loans	0	0	0	0	0
TOTAL	**-591,471**	**-156,832**	**154,071**	**442**	**-593,790**

IFRS 9

	12/31/2019	Addition[1]	Reversal[1]	Other	12/31/2020
Loans and receivables due from credit institutions	**-1**	**0**	**0**	**0**	**-1**
of which originated credit-impaired assets (S3)	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	-1	0	0	0	-1
• expected losses at termination (S2)	0	0	0	0	0
• expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	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	**-590,349**	**-154,962**	**153,361**	**441**	**-591,509**
of which originated credit-impaired assets (S3)	*-62*	*0*	*0*	*0*	*-62*
• 12-month expected losses (S1)	-50,374	-23,257	22,123	0	-51,508
• expected losses at termination (S2)	-42,191	-41,735	26,996	1	-56,929
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	-497,784	-89,970	104,242	440	-483,072
• 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	**-360**	**-191**	**360**	**0**	**-191**
of which originated credit-impaired assets (S3)	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	-360	-191	360	0	-191
• 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	**-761**	**-1,679**	**350**	**1**	**-2,089**
of which originated credit-impaired assets (S3)	*0*	*0*	*0*	*0*	*0*
• 12-month expected losses (S1)	-755	-151	350	0	-556
• expected losses at termination (S2)	-6	-1,528	0	1	-1,533
• 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	**-591,471**	**-156,832**	**154,071**	**442**	**-593,790**

(1) Of which transfer of buckets.

	12/31/2018	Addition	Reversal	Other	12/31/2019
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

	12/31/2018	Addition	Reversal	Other	12/31/2019
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**

5 c Concentration of credit risk in sensitive sectors

	Gross outstandings			Impairment provisions			Net outstandings
	S1	S2	S3	S1	S2	S3	
Business sector							
Specialized retail	15	60	15	0	3	8	79
Hotels, restaurants	8	105	22	0	4	-10	120
Automotive	5	62	4	0	1	2	68
Vehicle rental	4	75	1	0	1	0	78
Tourism, games, leisure[1]	2	39	2	0	1	1	41
Industrial transportation	4	165	18	0	2	-5	180
Airlines	0	0	0	0	0	0	0
Aeronautics industry[2]	0	4	0	0	0	0	4
Other sectors identified in Belgium	18	41	7	1	2	3	61
TOTAL	**56**	**553**	**68**	**2**	**15**	**-29**	**632**

(1) Including "tourism sector protocol" not covered as of June 30, 2020.
(2) Subcontractors.

NOTE 6 Financial assets and liabilities at fair value through profit or loss

6 a Financial assets at fair value through profit or loss

	12/31/2020				12/31/2019			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	**0**	**0**	**943,826**	**943,826**	**0**	**309,684**	**800,348**	**1110,032**
Government securities	0	0	0	0	0	309,684	15,972	325,656
Bonds and other debt securities	0	0	943,401	943,401	0	0	783,118	783,118
• Listed	0	0	429	429	0	0	674	674
• Unlisted	0	0	942,972	942,972	0	0	782,444	782,444
of which UCIs	*0*		*789,475*	*789,475*	*0*		*590,887*	*590,887*
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	-	-	425	425	-	-	1,258	1,258
• Equity investments	-	-	425	425	-	-	1,258	1,258
• Other long-term investments	-	-	0	0	-	-	0	0
• Investments in subsidiaries and associates	-	-	0	0	-	-	0	0
• Other long-term investments	-	-	0	0	-	-	0	0
Derivatives	**100,261**	**-**	**-**	**100,261**	**158,357**	**-**	**-**	**158,357**
Loans and receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which repos[1]	*0*	*0*	-	*0*	*0*	*0*	-	*0*
TOTAL	**100,261**	**0**	**943,826**	**1,044,087**	**158,357**	**309,684**	**800,348**	**1,268,389**

(1) The maximum exposure to credit risk on assets classified at fair value through profit or loss is zero at December 31, 2020. As of December 31, 2019, this amounted to €310 million and related to SPV Jarna.

6 b Financial liabilities at fair value through profit or loss

	12/31/2020	12/31/2019	Change	
Financial liabilities held for trading	101,691	128,394	-26,703	-21%
Financial liabilities at fair value through profit or loss	53,410	468,739	-415,329	-89%
TOTAL	**155,101**	**597,133**	**-442,032**	**-74%**

Financial liabilities held for trading consist solely of derivatives.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2020			12/31/2019		
	Carrying amount	Amount due on maturity	Variance	Carrying amount	Amount due on maturity	Variance
Securities issued	53,410	50,000	3,410	468,739	529,990	-61,251
Subordinated debt	0	0	0	0	0	0
Interbank debt	0	0	0	0	0	0
Amounts due to customers	0	0	0	0	0	0
TOTAL	**53,410**	**50,000**	**3,410**	**468,739**	**529,990**	**-61,251**

6 c Analysis of trading derivatives

	12/31/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Trading derivatives						
Interest rate derivatives	***2,406,307***	***100,261***	***101,482***	***2,710,675***	***158,204***	***128,394***
Swaps	2,406,307	100,261	101,482	2,664,675	158,204	128,394
Other firm contracts	0	0	0	46,000	0	0
Options and conditional instruments	0	0	0	0	0	0
Foreign exchange derivatives	***0***	***0***	***0***	***0***	***0***	***0***
Other derivatives	***13,990***	***0***	***209***	***18,825***	***153***	***0***
Options and conditional instruments	13,990	0	209	18,825	153	0
TOTAL	**2,420,297**	**100,261**	**101,691**	**2,729,500**	**158,357**	**128,394**

NOTE 7 Hedging

7 a Hedging derivative instruments

	12/31/2020			12/31/2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Hedging derivative instruments						
Fair Value Hedges	***3,233,100***	***2,708***	***37,549***	***3,781,650***	***8,367***	***45,898***
Swaps	1,229,000	2,708	37,549	1,751,350	8,367	45,898
Other firm contracts	2,004,100	0	0	2,030,300	0	0
Options and conditional instruments	0	0	0	0	0	0
Cash Flow Hedges	***395,700***	***0***	***15,610***	***415,700***	***0***	***16,347***
Swaps	395,700	0	15,610	415,700	0	16,347
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
TOTAL	**3,628,800**	**2,708**	**53,159**	**4,197,350**	**8,367**	**62,245**

The ineffectiveness recognized in profit or loss has a positive impact on the accounts (€503 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	12/31/2020
Hedging derivative instruments					
Fair Value Hedges	***54,000***	***358,500***	***2,229,600***	***591,000***	***3,233,100***
Swaps	24,000	238,000	964,000	3,000	1,229,000
Other firm contracts	30,000	120,500	1,265,600	588,000	2,004,100
Options and conditional instruments	0	0	0	0	0
Cash Flow Hedges	***0***	***95,700***	***0***	***300,000***	***395,700***
Swaps	0	95,700	0	300,000	395,700
Other firm contracts	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0
TOTAL	**54,000**	**454,200**	**2,229,600**	**891,000**	**3,628,800**

	Less than 3 months	3 months to less than 1 year	1 to 5 years	Over 5 years	12/31/2019
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**

7 b Remeasurement adjustment on interest-risk hedged portfolios

	12/31/2020	12/31/2019		Change
Fair value of portfolio interest rate risk				
• in financial assets	63,224	50,543	12,681	25%
• in financial liabilities	0	0	0	

7 c Items subject to a micro fair value hedge

ASSET ITEMS HEDGED

	12/31/2020				12/31/2019			
	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement 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 remeasurement resulting from the hedge	Of which remeasurement 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	1,720,984	9,564	4,929	0	2,207,105	18,553	5,133	0
TOTAL	**1,720,984**	**9,564**	**4,929**	**0**	**2,207,105**	**18,553**	**5,133**	**0**

LIABILITY ITEMS HEDGED

	12/31/2020				12/31/2019			
	Carrying amount	Of which remeasurement resulting from the hedge	Of which remeasurement 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 remeasurement resulting from the hedge	Of which remeasurement 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	57,673	1,771	-2,779	0	178,857	6,190	-3,657	0
TOTAL	**57,673**	**1,771**	**-2,779**	**0**	**178,857**	**6,190**	**-3,657**	**0**

NOTE 8 Assets and liabilities relative to insurance business contracts (IAS 39)

Insurance activities are included in the headings relating to equity accounting.

NOTE 9 Fair value hierarchy of financial instruments carried at fair value

12/31/2020	Level 1	Level 2	Level 3	Total	Transfers* N1 => N2	Transfers* L2 => L1
Financial assets IFRS 9						
Fair value through other comprehensive income	**1,593,532**	**231,698**	**44,617**	**1,869,847**	**0**	**0**
Government securities and similar instruments	426,017	0	0	426,017	0	0
Bonds and other debt securities	1,167,515	228,719	0	1,396,234	0	0
Shares and other capital instruments	0	2,979	0	2,979	0	0
Investments and other long-term securities	0	0	24,060	24,060	0	0
Investments in subsidiaries and associates	0	0	20,557	20,557	0	0
Credit institutions Loans and Receivables – FVOCI	0	0	0	0	0	0
Customer Loans and receivables – FVOCI	0	0	0	0	0	0
Trading/Fair value option/Other	**0**	**1,043,365**	**722**	**1,044,087**	**0**	**0**
Government securities and similar instruments – Trading	0	0	0	0	0	0
Government securities and similar instruments – Fair value option	0	0	0	0	0	0
Government securities and similar instruments – Other FVPL	0	0	0	0	0	0
Bonds and other debt securities – Trading	0	0	0	0	0	0
Bonds and other debt securities – Fair value option	0	0	0	0	0	0
Bonds and other debt securities – Other FVPL	0	917,214	572	917,786	0	0
Shares and other capital instruments – Trading	0	0	0	0	0	0
Shares and other capital instruments – Other FVPL	0	25,615	0	25,615	0	0
Investments and other long-term securities – Other FVPL	0	275	150	425	0	0
Investments in subsidiaries and associates – Other FVPL	0	0	0	0	0	0
Loans and receivables due from credit institutions – Fair value option	0	0	0	0	0	0
Loans and receivables due from credit institutions – Other FVPL	0	0	0	0	0	0
Loans and receivables due from customers – Fair value option	0	0	0	0	0	0
Loans and receivables due from customers – Other FVPL	0	0	0	0	0	0
Loans and receivables due from customers – Transaction	0	0	0	0	0	0
Derivatives and other financial assets – Trading	0	100,261	0	100,261	0	0
Hedging derivative instruments	**0**	**2,708**	**0**	**2,708**	**0**	**0**
TOTAL	**1,593,532**	**1,277,771**	**45,339**	**2,916,642**	**0**	**0**
Financial liabilities IFRS 9						
Trading/Fair value option	**0**	**155,101**	**0**	**155,101**	**0**	**0**
Amounts due to credit institutions – Fair value option	0	0	0	0	0	0
Amounts due to customers – Fair value option	0	0	0	0	0	0
Debt securities – Fair value option	0	53,410	0	53,410	0	0
Subordinated debt – Fair value option	0	0	0	0	0	0
Derivatives and other financial liabilities – Trading	0	101,691	0	101,691	0	0
Debt – Trading	0	0	0	0	0	0
Hedging derivative instruments	**0**	**53,159**	**0**	**53,159**	**0**	**0**
TOTAL	**0**	**208,260**	**0**	**208,260**	**0**	**0**

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

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.*

12/31/2019	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
Credit institutions Loans and Receivables – FVOCI	0	0	0	0
Customer Loans and receivables – FVOCI	0	0	0	0
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 capital 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
Loans and receivables due from customers – Transaction	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**
Amounts 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
Debt – Trading	0	0	0	0
Hedging derivative instruments	**0**	**62,245**	**0**	**62,245**
TOTAL	**0**	**659,378**	**0**	**659,378**

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

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.*

FAIR VALUE HIERARCHY – LEVEL 3

Hedging derivative instruments	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	**40,215**	**4,941**	**1,377**	**-64**	**0**	**-493**	**0**	**-306**	**-1,053**	**44,617**
Investments and other long-term securities	20,965	4,941	88	-64	0	-493	0	-306	-1,071	24,060
Investments in subsidiaries and associates	19,250	0	1,289	0	0	0	0	0	18	20,557
Trading/Fair value option/Other	**1,667**	**0**	**0**	**0**	**-100**	**0**	**-845**	**0**	**0**	**722**
Bonds and other debt securities – Other FVPL	700	0	0	0	0	0	-128	0	0	572
Shares and other capital instruments – Trading	0	0	0	0	0	0	0	0	0	0
Shares and other capital instruments – Other FVPL	967	0	0	0	-100	0	-717	0	0	150
TOTAL	**41,882**	**4,941**	**1,377**	**-64**	**-100**	**-493**	**-845**	**-306**	**-1,053**	**45,339**

NOTE 10 Netting of financial assets and liabilities

12/31/2020	Gross amount of financial assets	Gross amount of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
Financial assets							
Derivatives	147,438	-44,469	102,969	-50,788	0	-52,181	0
Resale agreements	0	0	0	0	0	0	0
TOTAL	**147,438**	**-44,469**	**102,969**	**-50,788**	**0**	**-52,181**	**0**

12/31/2020	Gross amount of financial liabilities	Gross amount of financial assets offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash collateral paid	Net amount
Financial liabilities							
Derivatives	199,319	-44,469	154,850	-50,788	0	-89,821	14,241
Resale agreements	0	0	0	0	0	0	0
TOTAL	**199,319**	**-44,469**	**154,850**	**-50,788**	**0**	**-89,821**	**14,241**

12/31/2019	Gross amount of financial assets	Gross amount of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
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**

12/31/2019	Gross amount of financial liabilities	Gross amount of financial assets offset in balance sheet	Net amounts shown on balance sheet	Related amounts not offset in balance sheet: Impact of framework offsetting agreements	Financial instruments received as guarantee	Cash collateral paid	Net amount
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**

NOTE 11 Income tax

11 a Current tax

	12/31/2020	12/31/2019	Change	
Assets (through profit or loss)	80,765	94,487	-13,722	-15%
Liabilities (through profit or loss)	27,144	75,383	-48,239	64%

11 b Deferred tax

	12/31/2020	12/31/2019	Change	
Assets (through profit or loss)	43,757	48,495	-4,738	10%
Assets (through other comprehensive income)	7,681	8,372	-691	-8%
Liabilities (through profit or loss)	7,390	3,413	3,977	117%
Liabilities (through other comprehensive income)	7,891	11,026	-3,135	-28%

ANALYSIS OF DEFERRED TAXES BY MAJOR CATEGORIES

	12/31/2020		12/31/2019	
	Assets	Liabilities	Assets	Liabilities
Tax loss carried forward	0	0	0	0
Temporary differences in				
• re-valuation of financial instruments (excluding insurance)		7,800	0	10,991
• other unrealized or deferred gains and losses	7,590		8,337	0
• provisions	45,850	-3,552	45,411	-17
• finance leasing undisclosed reserves		1,805	0	1,622
• earnings of flow-through entities			0	0
• other temporary differences	-2,093	9,137	3,084	1,808
Netting	91	91	35	35
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**51,438**	**15,281**	**56,867**	**14,439**

NOTE 12 Accruals and other assets and liabilities

12 a Accruals and other assets

	12/31/2020	12/31/2019	Change	
Accruals				
Collection accounts	5,475	9,239	-3,764	-41%
Currency adjustment accounts	2	13	-11	-85%
Accrued income	20,323	22,318	-1,995	-9%
Other accruals	158,219	188,434	-30,215	16%
Sub-total	**184,019**	**220,004**	**-35,985**	**16%**
Other assets				
Securities settlement accounts	0	0	0	
Miscellaneous receivables	183,900	222,557	-38,657	-17%
Inventories and similar	2,613	2,201	412	19%
Other	733	5,689	-4,956	-87%
Sub-total	**187,246**	**230,447**	**-43,201**	**-19%**
TOTAL	**371,265**	**450,451**	**-79,186**	**-18%**

12 b Accruals and other liabilities

	12/31/2020	12/31/2019	Change	
Accruals				
Accounts unavailable due to recovery procedures	0	25	-25	100%
Currency adjustment accounts	1,246	0	1,246	
Accrued expenses	85,163	107,034	-21,871	20%
Deferred income	53,607	55,314	-1,707	-3%
Other accruals	127,115	107,681	19,434	18%
Sub-total	**267,131**	**270,054**	**-2,923**	**1%**
Other liabilities				
Rental obligations – Real estate	87,394	97,950	-10,556	-11%
Rental obligations – Others	2,973	3,868	-895	-23%
Securities settlement accounts	0	0	0	
Outstanding amounts payable on securities	89,184	146,726	-57,542	-39%
Sundry creditors	234,702	268,618	-33,916	-13%
Sub-total	**414,253**	**517,162**	**-102,909**	**20%**
TOTAL	**681,384**	**787,216**	**-105,832**	**-13%**

12 c Assets/liabilities held for sale

Income from operations held for sale corresponds mainly to the share of income attributable to the CMNE group in respect of the control of LFIS and UGP entities until March 13, 2020.

No financial data is recorded in the balance sheet, as the entities treated under IFRS 5 as of December 31, 2020 are considered as discontinued operations and therefore only affect the income statement.

These entities are La Française Forum Securities Limited and CMNE Grand Paris, and contribute to profit/(loss) of held-for-sale operations in the amount of €53 thousand.

12 d Lease obligations by residual maturity

12/31/2020	d ≤1 year	1 year <d ≤3 years	3 years <d ≤6 years	6 years <d ≤9 years	d >9 years	TOTAL
Rental obligations	14,413	21,791	30,282	18,246	5,635	90,367
• Real estate	13,478	20,105	29,930	18,246	5,635	87,394
• Other	935	1,686	352	0	0	2,973

12/31/2019	d ≤1 year	1 year <d ≤3 years	3 years <d ≤6 years	6 years <d ≤9 years	d >9 years	TOTAL
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

12/31/2020	Country	% interest	Value under equity consolidation method	Share of net profit/ (loss)	Dividends received[1]	Fair value of the investment (if listed)
Entities under significant influence						
GACM	France	10.22%	1,023,556	51,017	0	n.l.
2A	France	39.67%	2,870	78	0	n.l.
Groupe Cholet-Dupont	France	33.73%	18,284	1,855	0	n.l.
JKC Capital Management Limited	Hong Kong	50.00%	-413	-1,463	0	n.l.
Siparex XAnge Venture	France	26.50%	2,591	432	504	n.l.
Euro-Information SAS	France	10.15%	196,108	46,765	315	n.l.
Groupe La Française (goodwill relating to 2A)[2]		-	4,185	-	-	n.l.
La Française group (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		**-**	**1,522,129**	**98,683**	**819**	

12/31/2019	Country	% interest	Value under equity consolidation method	Share of net profit/ (loss)	Dividends received[1]	Fair value of the investment (if listed)
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**	

(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 equity-accounted investments.

* *NL: 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 of December 31, 2020, CMNE's share in the valuation of GACM is estimated at €1,323 million for a consolidated amount of €1,298 million. Taking into account a sensitivity to interest rates of -15 bps or a sensitivity to equities of +15 bps, the valuation of GACM would be within a range of €1,293 million to €1,360 million.

13 b Key figures of main equity-consolidated companies

12/31/2020	Balance sheet total	Net banking income/Revenue	GOI	Net profit/ (loss)	OCI	Shareholders' equity in foreign currency
Entities under significant influence						
GACM	126,933,363	1,360,444	757,031	508,130	1,657,640	10,485,662
2A	13,948	11,079	277	196	-	7,236
Groupe Cholet-Dupont	264,324	23,849	8,657	5,499	-	54,207
JKC Capital Management Limited	60,948	31,805	-25,286	-25,900	-	-7,851
Siparex XAnge Venture	16,753	10,777	2,069	1,629	-	9,773
Euro-Information SAS	2,044,892	1,452,018	189,122	451,098	-	1,829,356

12/31/2019	Balance sheet total	Net banking income/Revenue	GOI	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	-	4521
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

NOTE 14 Investment property

	12/31/2019	Increase	Decrease	Other	12/31/2020
Historical cost	222,921	31,360	-1630	0	252,651
Depreciation and impairment	-31,584	-4,937	646	71	-35,804
Net amount	**191,337**	**26,423**	**-984**	**71**	**216,847**

The fair value of this property (recognized at historical cost) was €252,587 thousand at December 31, 2020; it was €225,886 thousand at December 31, 2019. It is determined based on expert valuations.

NOTE 15 Property, plant and equipment and intangible assets

15 a Property, plant and equipment

	12/31/2019	Increase	Decrease	Other	12/31/2020
Historical cost					
Operating sites	12,154	0	-89	0	12,065
Operating buildings	223,545	4,433	-2,120	0	225,858
Rights of use – Real estate	115,863	7,606	-13	-730	122,726
Rights of use – Others	3,868	72	-949	0	2,991
Other property, plant and equipment	239,676	11,351	-4,982	24	246,069
TOTAL	595,106	23,462	-8,153	-706	609,709
Depreciation and impairment					
Operating sites	0	0	0	0	-1
Operating buildings	-155,770	-9,817	2,050	1	-163,535
Rights of use – Real estate	-19,353	-18,227	1,117	555	-35,908
Rights of use – Others	0	-18	0	0	-18
Other property, plant and equipment	-169,569	-11.085	3,663	-25	-177,016
TOTAL	-344,692	-39,147	6,830	531	-376,478
Net amount	**250,414**	**-15,685**	**-1,323**	**-175**	**233,231**

OF WHICH PROPERTIES RENTED UNDER FINANCE LEASES

	12/31/2019	Increase	Decrease	Other	12/31/2020
Gross carrying value	91,384	0	0	0	91,384
Accumulated depreciation and impairment provisions	-13,505	-1,661	0	0	-15,166
TOTAL	77,879	-1,661	0	0	76,218

15 b Intangible assets

	12/31/2019	Increase	Decrease	Other	12/31/2020
Historical cost					
Internally-developed intangible assets	7,021	0	0	3,305	10,326
Purchased intangible assets	52,018	1,786	-32	-9,130	44,642
• Software	14,693	10	-30	-5,825	8,848
• other	37,325	1,776	-2	-3,305	35,794
TOTAL	59.039	1,786	-32	-5,825	54,968
Amortization and impairment					
Internally-developed intangible assets	-3,697	-2,055	0	0	-5,752
Purchased intangible assets	-17,916	-2,759	29	5,655	-14,991
• Software	-9,900	-1,125	29	5,655	-5,341
• other	-8,016	-1,634	0	0	-9,650
TOTAL	-21,613	-4,814	29	5,655	-20,743
Net amount	**37,426**	**-3.028**	**-3**	**-170**	**34,225**

NOTE 16 Goodwill

	12/31/2019	Increase	Decrease	Other	12/31/2020
Gross goodwill	200,908	0	0	1,393	202,301
Impairment provisions	-1,915	0	0	0	-1,915
Net goodwill	**198,993**	**0**	**0**	**1,393**	**200,386**

Breakdown of goodwill

Subsidiaries	Value of goodwill on 12/31/19	Increase	Decrease	Variation in depreciation	Other	Value of goodwill on 12/31/20
Belgian Bankinsurance division	2,027	-	-	-	-	2,027
Third-party management	196,242	-	-	-	1,393	197,635
Services and other	724	-	-	-		724
TOTAL	**198,993**	**0**	**0**	**0**	**1,393**	**200,386**

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 *Autorité des marchés financiers* (AMF – French Financial Markets Authority), 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 €233 million and €1,039 million.

NOTE 17 Provisions and contingent liabilities

17 a Provisions

	12/31/2019	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	12/31/2020
Provisions for risks	**15,198**	**5,598**	**-2,800**	**-3,261**	**-2,535**	**12,200**
On guarantee commitments	3,707	3,038	-162	-1,376	-1	5,206
of which 12-month expected losses (S1)	*721*	*143*	*0*	*-249*	*-1*	*614*
of which expected losses at termination (S2)	*1,004*	*1,159*	*0*	*-550*	*0*	*1,613*
On financing commitments	1,328	1,445	0	-851	0	1,922
of which 12-month expected losses (S1)	*1,138*	*931*	*0*	*-644*	*-1*	*1,424*
of which expected losses at termination (S2)	*190*	*514*	*0*	*-207*	*1*	*498*
On country risks	0	0	0	0	0	0
Provisions for taxes	0	0	0	0	0	0
Provisions for claims and litigation	5,211	703	-2,638	-232	0	3,044
Provision for risk on miscellaneous receivables	4,952	412	0	-802	-2,534	2,028
Other provisions	**26,454**	**4,231**	**-3,483**	**-191**	**2,379**	**29,390**
Provision for mortgage saving agreements	17,168	1,771	0	0	3	18,942
Provisions for miscellaneous contingencies	9,187	2,460	-3,384	-191	2,376	10,448
Other provisions	99	0	-99	0	0	0
Provisions for retirement commitments	**107,452**	**4,012**	**-196**	**-2,942**	**-1,533**	**106,793**
TOTAL	**149,104**	**13,841**	**-6,479**	**-6,394**	**-1,689**	**148,383**

	12/31/2018	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	12/31/2019
Provisions for risks	**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	1333	-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**	**18,517**	**-3.039**	**-10,308**	**-2,353**	**149,104**

The “other changes” in reversals of provisions for retirement commitments correspond to the changes in actuarial assumptions recognized in OCI.

PROVISIONS FOR PEL/CEL

	0-4 years	4-10 years	+10 years	Total
Amount managed in respect of PEL during the saving phase	38,741	1,678,158	563,064	2,279,963
Amount of provisions for PEL	**723**	**15,440**	**2,778**	**18,941**
Amount managed in respect of CEL during the saving phase				237,332
Amount of provisions for CEL				0
Additions to mortgage saving provisions				-1,771
Reversals of mortgage saving provisions				0
Amount of outstanding loans granted in respect of PEL/CEL				5,287
Amount of provisions for PEL/CEL loans				2

RETIREMENT AND OTHER EMPLOYEE BENEFITS

	12/31/2019	Additions for the year	Reversals for the year	Other variations	12/31/2020
Defined-benefit plans not covered by pension funds					
Retirement Benefits	103,500	3,354	-1,013	-1,533	104,308
Supplementary pensions	1,784	555	-2,125	0	214
Obligations for long service awards (other long-term benefits)	2,168	103	0	0	2,271
TOTAL	**107,452**	**4,012**	**-3,138**	**-1,533**	**106,793**

	12/31/2018	Additions for the year	Reversals for the year	Other variations	12/31/2019
Defined-benefit plans not covered by retirement 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**

The change in the fair value resulted from actuarial variances (see provisions table above).

DEFINED-BENEFIT PLANS: MAIN ACTUARIAL ASSUMPTIONS

DEFINED-BENEFIT PLANS: MAIN ACTUARIAL ASSUMPTIONS	12/31/2020	12/31/2019
Discount rate[1]	0.45%	0.75%
Expected increase in salaries	0.51%	1.31%

(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 ACTUARIAL DEBT

Change in actuarial debt	12/31/2019	Interest expense	Cost of services rendered during the period	Past service cost	Contributions to plan	Actuarial variances due to changes in demographic assumptions	Actuarial variances due to changes in financial assumptions	Payments to beneficiaries	Exchange rate effects	Other (business combinations, liquidations)	12/31/2020
Commitments	205,804	586	10,459	-	-	-1,377	6,954	-5,962	-	-	216,464
Non-group insurance policies and externally-managed assets	102,304	-168		-	5,705		7,135	-2,820	-	-	112,156
Provision	**103,500**	**753**	**10,459**	**0**	**-5,705**	**-1,377**	**-180**	**-3,142**	**0**	**0**	**104,308**

Change in actuarial debt	12/31/2018	Interest expense	Cost of services rendered during the period	Past service cost	Contributions to plan	Actuarial variances due to changes in demographic assumptions	Actuarial variances due to changes in financial assumptions	Payments to beneficiaries	Exchange rate effects	Other (business combinations, liquidations)	12/31/2019
Commitments	194,732	2,430	10,462	-	0	5,672	3,635	-11,128	-	-	205,804
Non-group insurance policies and externally-managed assets	91,174	1,325	0	-	6,296	0	11,454	-7,944	-	-1	102,304
Provision	**103,557**	**1,105**	**10,462**	**0**	**-6,296**	**5,672**	**-7,818**	**-3,184**	**0**	**1**	**103,500**

A change of plus or minus 50 basis points in the discount rate would result in, respectively, a fall of €13.1 million/an increase of €14.3 million in the commitment.

CHANGE IN FAIR VALUE OF PLAN ASSETS

Change in fair value of plan assets	12/31/2019	Effect of discounting	Return on plan assets in addition to the interest income	Contributions to plan	Payments to beneficiaries	Exchange rate effects	Other (business combinations, liquidations)	12/31/2020
Fair value of plan assets	102,304	7,135	-168	5,705	-2,820			112,156

Change in fair value of plan assets	12/31/2018	Effect of discounting	Return on plan assets in addition to the interest income	Contributions to plan	Payments to beneficiaries	Exchange rate effects	Other (business combinations, liquidations)	12/31/2019
Fair value of plan assets	91,174	11,454	1,325	6,296	-7,945	0	0	102,304

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

	12/31/2020			
Breakdown of fair value of plan assets	Debt securities	Capital instruments	Real estate	Other
Assets quoted on an active market	42,506	36,107	0	0
Assets not quoted on an active market	0	0	5,903	27,640
TOTAL	**42,506**	**36,107**	**5,903**	**27,640**

	12/31/2019			
Breakdown of fair value of plan assets	Debt securities	Capital instruments	Real estate	Other
Assets quoted on an active market	37,445	31,060	0	0
Assets not quoted on an active market	0	0	5,903	27,895
TOTAL	**37,445**	**31,060**	**5,903**	**27,895**

DEFINED BENEFIT RETIREMENT COMMITMENTS

Defined benefit retirement commitments	Average duration
Retirement Benefits	14.30
Supplementary pensions (Article 39)	-

6

17 b Contingent liabilities

None.

NOTE 18 Reserves related to capital and reserves

18 a Equity group share (excluding income and unrealized gains and losses)

	12/31/2020	12/31/2019	Change	
Capital and reserves related to capital	**1,410,659**	**1,379,383**	**31,276**	**2%**
• Capital	1,407,909	1,376,633	31,276	2%
• Issue premium, contribution, merger, split, conversion	2,750	2,750	0	0%
Consolidated reserves	**1,780,817**	**1,642,721**	**138,096**	**8%**
• Legal reserve	0	0	0	-
• Statutory and contractual reserves	0	0	0	-
• Regulated reserves	0	0	0	-
• Other reserves (including effects related to initial application)	1,809,982	1,673,078	136,904	8%
of which profit on disposal of capital instruments	*-24,431*	*-16,158*	*-8,273*	*51%*
• Retained earnings	-29,165	-30,357	1,192	4%
TOTAL	**3,191,476**	**3,022,104**	**169,372**	**6%**

18 b Unrealized or deferred gains or losses, attributable to owners of the parent

	12/31/2020	12/31/2019	Change	
Unrealized or deferred gains or losses relating to:				
• insurance business investments (assets available-for-sale)	168,341	149,978	18,363	12%
• financial assets at fair value through recyclable other comprehensive income – debt instruments	19,645	23,676	-4,031	-17%
• financial assets at fair value through non-recyclable other comprehensive income – capital instruments	3,425	6,334	-2,909	-46%
• hedging derivatives (CFH)	-10,151	-10,647	496	-5%
• other	-16,816	-16,707	-109	1%
TOTAL	**164,444**	**152,634**	**11,810**	**8%**

18 c Fully-consolidated entities with significant non-controlling interests

None.

NOTE 19 Commitments given and received

COMMITMENTS GIVEN

	12/31/2020	12/31/2019	Change	
Funding commitments	**2,897,317**	**2,770,979**	**126,338**	**5%**
Commitments to credit institutions	38,050	32,250	5,800	18%
Commitments to customers	2,859,267	2,738,729	120,538	4%
Guarantee commitments	**233,869**	**225,556**	**8,313**	**4%**
Commitments to credit institutions	26,268	17,010	9,258	54%
Commitments to customers	207,601	208,546	-945	0%
Securities commitments	**189**	**777**	**-588**	**-76%**
Securities acquired with option to repurchase	0	0	0	-
Other commitments given	189	777	-588	-76%

COMMITMENTS RECEIVED

	12/31/2020	12/31/2019	Change	
Funding commitments	**54,700**	**729,140**	**-674,440**	**-92%**
Commitments received from credit institutions	54,700	729,140	-674,440	-92%
Commitments received from customers	0	0	0	
Guarantee commitments	**8,194,542**	**7,559,438**	**635,104**	**8%**
Commitments received from credit institutions	3,085,888	3,125,164	-39,276	1%
Commitments received from customers	5,108,654	4,434,274	674,380	15%
Securities commitments	**189**	**4,944**	**-4,755**	**-96%**
Securities sold with option to repurchase	0	0	0	
Other commitments received	189	4,944	-4,755	-96%

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2020	12/31/2019	Change	
Assets sold under repurchase agreements	0	201,086	-201,086	100%
Related liabilities	0	651,014	-651,014	100%

ASSETS GIVEN AS COLLATERAL FOR LIABILITIES

	12/31/2020	12/31/2019	Change	
Loaned securities	0	201,014	-201,014	100%
Security deposits on market transactions	135,820	125,702	10,118	8%
TOTAL	**135,820**	**326,716**	**-190,896**	**-58%**

NOTES TO THE INCOME STATEMENT

NOTE 20 Interest income and expense

	12/31/2020		12/31/2019	
	Income	Expenses	Income	Expenses
Credit institutions and central banks[1]	20,588	-2,034	26,930	-7,326
Customers	511,510	-104,266	946,958	-540,341
of which leasing	*41,778*	*-2,819*	*457,533*	*-426,020*
of which rental obligation	*0*	*-643*	*0*	*-706*
Hedging derivative instruments	56,957	-56,996	6,839	-48,204
Financial instruments at fair value through profit or loss	3,716	-8,187	46,182	-9,474
Financial assets at fair value through equity/Assets available-for-sale	12,163	0	16,843	0
Securities at amortized cost	-12	0	-291	0
Debt securities	0	-47,891	0	-41,917
Subordinated debt	0	-146	0	-1,116
TOTAL	**604,922**	**-219,520**	**1,043,461**	**-648,378**
Of which interest income and expense calculated at the effective interest rate	*544,249*	*-154,337*	*990,440*	*-590,700*
Of which interest on liabilities at amortized cost		*-154,337*		*-590,700*

(1) of which:

- *a negative interest rate effect of €1,194 thousand in income and of €2,981 thousand in expenses at 12/31/2020;*
- *an impact of €3,307 thousand related to the negative rate refinancing behind BFCM, matching the TLTRO III refinancing conditions and the 50 bps bonus.*

NOTE 21 Commissions

	12/31/2020		12/31/2019	
	Income	Expenses	Income	Expenses
Credit institutions	34,594	-70	7,082	-357
Customers	73,099	-2,718	77,025	-2,374
Securities	22,426	-4,740	13,678	-4,194
of which activities managed on behalf of third parties	*3,565*	*0*	*2,149*	*0*
Derivatives	0	0	0	0
Currency transactions	758	0	1,461	0
Funding and guarantee commitments	78	-2	0	-84
Services provided	164,851	-64,234	192,658	-62,961
TOTAL	**295,806**	**-71,764**	**291,904**	**-69,970**

NOTE 22 Gain/loss on financial instruments at fair value through profit or loss

	12/31/2020	12/31/2019	Change	
Trading instruments	-7,507	-17,282	9,775	-57%
Instruments accounted for under the fair value option	7,301	-2,737	10.038	-367%
Ineffective portion of hedges	503	-2,482	2,985	-120%
• On cash flow hedges (CFH)	0	0	0	-
• On fair value hedges (FVH)	503	-2,482	2,985	-120%
◦ Change in the fair value of hedged items	20,391	18,685	1,706	9%
◦ Change in fair value of hedging instruments	-19,888	-21,167	1,279	-6%
Foreign exchange gains/(losses)	-169	376	-545	-145%
Other financial instruments at fair value through profit or loss	-10,943	26,034	-36,977	-142%
TOTAL CHANGES IN FAIR VALUE	**-10,815**	**3,909**	**-14,724**	**-377%**

NOTE 23 Net gains or losses on financial assets at fair value through shareholders' equity

	12/31/2020	12/31/2019	Change	
Dividends	2,980	2,743	237	9%
Realized gains and losses on debt instruments	295	343	-48	-14%
TOTAL	**3,275**	**3,086**	**189**	**6%**

NOTE 24 Net gains and losses on financial assets and liabilities carried at amortized cost

None.

NOTE 25 Net income from the 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

	12/31/2020	12/31/2019	Change	
Income from other activities				
Investment property:	0	175	-175	100%
• reversal of provisions/depreciation	0	0	0	
• capital gains on disposals	0	175	-175	100%
Rebilled expenses	13,529	14,756	-1,227	-8%
Other income	308,408	339,622	-31,214	-9%
Sub-total	**321,937**	**354,553**	**-32,616**	**-9%**
Expenses on other activities				
Investment property:	-5.076	-2,020	-3,056	151%
• additions to provisions/depreciation	-5,035	-1,897	-3,138	165%
• capital losses on disposals	-41	-123	82	-67%
Other expenses	-153,422	-163,867	10,445	-6%
Sub-total	**-158,498**	**-165,887**	**7,389**	**4%**
NET TOTAL OF OTHER INCOME AND EXPENSES	**163,439**	**188,666**	**-25,227**	**-13%**

NOTE 27 General operating expenses

	12/31/2020	12/31/2019	Change	
Payroll costs	-389,767	-430,262	40,495	-9%
Other expenses	-267,337	-300,574	33,237	-11%
TOTAL	**-657,104**	**-730,836**	**73,732**	**10%**

27 a Employee benefits expense

	12/31/2020	12/31/2019	Change	
Wages and salaries	-255,800	-261,175	5,375	2%
Social security contributions	-107,419	-115,116	7,697	-7%
Short-term employee benefits	0	0	0	
Employee profit-sharing and incentive schemes	-7,060	-31,221	24,161	-77%
Payroll-based taxes	-21,097	-22,790	1,693	-7%
Other	1,609	40	1,569	3,923%
TOTAL	**-389,767**	**-430,262**	**40,495**	**-9%**

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 plan) 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.

		12/31/2020						12/31/2019					
		Number of shares						Number of shares					
	Allocation date	Allocated	Vested/ remaining	Repurchase value	Vesting percentage	Charge for the year	Accumulated debt	Allocated	Vested/ remaining	Repurchase value	Vesting percentage	Charge for the year	Accumulated debt
2012 plan	02/14/2012	20,060	0	214.13	100%	0	0	20,060	0	218	100%	0	0
2013 plan	04/15/2013	18,147	0	214.13	100%	0	0	18,147	0	218	100%	0	0
2014 plan	04/01/2014	29,400	0	214.13	100%	0	0	29,400	0	218	100%	0	0
2015 plan	09/16/2015	29,710	0	214.13	100%	0	0	29,710	0	218	100%	-6,161	0
Plan 2016*	09/16/2016	30,187	25,822	214.13	100%	0	5,529	30,187	25,822	218	100%	388	6,361
Plan 2017*	09/04/2017	30,730	26,105	214.13	100%	345	5,590	30,730	26,105	218	93%	2,532	6,114
Plan 2018*	09/06/2018	35,564	0	214.13	100%	2,490	0	35,564	0	218	66%	3,820	5,079
2019 plan	09/06/2019	14,250	13,131	214.13	66%	1,361	1,854	14,250	13,131	218	16%	493	493
2019 plan[2]*	12/20/2019	6,091	5,872	214.13	51%	619	639	6,091	5,872	218	1%	20	20
TOTAL						**4,815**	**13,612**					**1,092**	**18,067**

* *The number of shares that have vested has been estimated.*

AVERAGE WORKFORCE

	12/31/2020	12/31/2019	Change	
Bank technical staff	2,025	2,100	-75	4%
Managers	2,161	2,260	-99	4%
TOTAL	**4,186**	**4,360**	**-174**	**4%**
France	*3,063*	*3,228*	*-165*	*-5%*
Rest of the world	*1,123*	*1,132*	*-9*	*1%*

27 b Other operating expenses

	12/31/2020	12/31/2019	Change	
Taxes and duties	-37,371	-36,905	-466	1%
Leases	-46,730	-46,767	37	0%
• *short-term leases of assets*	*-5,779*	*-3,630*	*-2,149*	*59%*
• *leases of low value/substitutable assets*	*-36,905*	*-39,033*	*2,128*	*-5%*
• *other leases*	*-4,046*	*-4,104*	*58*	*1%*
Other external services	-138,218	-169,180	30,962	-18%
Other miscellaneous expenses	-1,685	-2,756	1,071	-39%
TOTAL	**-224,004**	**-255,608**	**31,604**	**-12%**

27 c Depreciation, amortization and impairment of property, plant and equipment and intangible assets

	12/31/2020	12/31/2019	Change	
Depreciation and amortization:	**-42,965**	**-43,848**	**883**	**2%**
• property, plant and equipment	-39,636	-40,301	665	2%
of which rights of use	*-18,579*	*-18,394*	*-185*	*1%*
• intangible assets	-3,329	-3,547	218	-6%
Write-downs:	**-368**	**-1,117**	**749**	**-67%**
• property, plant and equipment	1,117	-1,117	2,234	-200%
• intangible assets	-1,485	0	-1,485	
TOTAL	**-43,333**	**-44,965**	**1,632**	**4%**

NOTE 28 Cost of risk

	12/31/2020	12/31/2019	Change	
12-month expected losses (S1)	-949	-3,390	2,441	-72%
Expected losses to termination (S2)	-17,182	5,869	-23,051	-393%
Impaired assets (S3)	-24,800	-24,378	-422	2%
TOTAL	**-42,931**	**-21,899**	**-21,032**	**96%**

12/31/2020	Allow-ances	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)	**-24,673**	**23,724**				**-949**
• Loans and receivables due from credit institutions at amortized cost	0	0				0
• Customer loans at amortized cost	-23,257	22,121				-1,136
of which finance leases	*-1,103*	*140*				*-963*
• Financial assets at amortized cost – securities	-191	360				169
• Financial assets at fair value through other comprehensive income – debt securities	-151	350				199
• Financial assets at fair value through other comprehensive income – loans	0	0				0
• Commitments given	-1,074	893				-181
Expected losses to termination (S2)	**-44,936**	**27,754**				**-17,182**
• Loans and receivables due from credit institutions at amortized cost	0	0				0
• Customer loans at amortized cost	-41,735	26,995				-14,740
of which finance leases	*-2,686*	*120*				*-2,566*
• Financial assets at amortized cost – securities	0	0				0
• Financial assets at fair value through other comprehensive income – debt securities	-1,528	2				-1,526
• Financial assets at fair value through other comprehensive income – loans	0	0				0
• Commitments given	-1,673	757				-916
Impaired assets (S3)	**-85,573**	**101,574**	**-35,460**	**-6,712**	**1,371**	**-24,800**
• Loans and receivables due from credit institutions at amortized cost	0	0	0	-830	0	-830
• Customer loans at amortized cost	-83,147	99,672	-35,410	-5,867	1,371	-23,381
of which finance leases	*-1,057*	*811*	*-698*	*-88*	*0*	*-1,032*
• Financial assets at amortized cost – securities	0	0	0	0	0	0
• Financial assets at fair value through other comprehensive income – debt securities	0	0	0	0	0	0
• Financial assets at fair value through other comprehensive income – loans	0	0	0	0	0	0
• Commitments given	-2,426	1,902	-50	-15	0	-589
TOTAL	**-155,182**	**153,052**	**-35,460**	**-6,712**	**1,371**	**-42,931**

12/31/2019	Allow-ances	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 due 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
• Financial assets at fair value through other comprehensive income – loans	0	0				0
• Commitments given	-1,050	972				-78
Expected losses to termination (S2)	**-25,832**	**31,701**				**5,869**
• Loans and receivables due 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 amortized cost – securities	0	0				0
• Financial assets at fair value through other comprehensive income – debt securities	-6	0				-6
• Financial assets at fair value through other comprehensive income – loans	0	0				0
• Commitments given	-1,058	478				-580
Impaired assets (S3)	**-95,009**	**99,043**	**-22,582**	**-7,556**	**1,726**	**-24,378**
• Loans and receivables due from credit institutions at amortized cost	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*
• Financial assets at amortized cost – securities	0	0	0	0	0	0
• Financial assets at fair value through other comprehensive income – debt securities	0	0	0	0	0	0
• Financial assets at fair value through other comprehensive income – loans	0	0	0	0	0	0
• Commitments given	-3,101	1,530	0	-9	0	-1,580
TOTAL	**-147,730**	**154,243**	**-22,582**	**-7,556**	**1,726**	**-21,899**

NOTE 29 Net gains/(losses) on disposals of other assets

	12/31/2020	12/31/2019	Change	
Property, plant and equipment and intangible assets	96	-759	855	-113%
• Capital losses on sale	-329	-1,928	1,599	-83%
• Capital gains on sale	425	1,169	-744	64%
Gains/(losses) on disposals of shares in consolidated entities	17,666	17,455	211	1%
TOTAL	**17,762**	**16,696**	**1,066**	**6%**

NOTE 30 Changes in the value of goodwill

	12/31/2020	12/31/2019	Change	
Goodwill impairment	0	0	0	
Negative goodwill recognized through profit or loss	0	7	-7	100%
TOTAL	**0**	**7**	**-7**	**100%**

NOTE 31 Income tax

BREAKDOWN OF INCOME TAX EXPENSE

	12/31/2020	12/31/2019	Change	
Current taxes	-17,049	-15,018	-2,031	14%
Deferred tax expense	-8,799	2,687	-11,486	-427%
Adjustments in respect of prior years	8,088	-3,167	11,255	-355%
TOTAL	**-17,760**	**-15,498**	**-2,262**	**15%**

RECONCILIATION BETWEEN THE INCOME TAX EXPENSE RECOGNIZED AND THE THEORETICAL TAX EXPENSE

	12/31/2020		12/31/2019	
Theoretical tax rate	59,307	32.02%	72,812	34.43%
Impact of reduced rate on long-term capital gains	58,976	31.84%	74,071	35.03%
Impact of different tax rates paid by foreign subsidiaries	-1,427	-0.77%	-244	-0.12%
Impact of different tax rates paid by French entities	-5,014	-2.71%	-502	-0.24%
Impact of changing rates on temporary differences	-31,754	-17.14%	-47,592	-22.50%
Permanent differences	-42,127	-22.74%	-63,294	-29.93%
Other	-20,201	-10.91%	-5,506	-2.60%
Effective tax rate	**17,760**	**9.59%**	**29,745**	**14.07%**
Taxable income	185,217		211,477	
Income tax expense	**17,760**	**9.59%**	**29,745**	**14.07%**

NOTES TO THE STATEMENT OF NET PROFIT/(LOSS) AND PROFITS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

NOTE 32 Recycling of gains and losses recognized directly in shareholder's equity

	12/31/2020 Operations	12/31/2019 Operations
Translation adjustments		
Reclassification in income	0	0
Other movements	-1,004	1,127
Sub-total	**-1,004**	**1,127**
Remeasurement of financial assets at FVOCI		
Reclassification in income*	-605	4,461
Other movements	-6,335	18,300
Sub-total	**-6,940**	**22,761**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	496	85
Sub-total	**496**	**85**
Remeasurement of insurance business investments (available-for-sale financial assets)		
Reclassification in income		
Other movements		
Sub-total		
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	1,009	1,537
Share of unrealized or deferred gains and losses of associates	18,249	53,271
TOTAL	**11,810**	**78,781**

* On debt instruments.

NOTE 33 Tax related to each category of gains and losses recognized directly in shareholders' equity

	12/31/2020			12/31/2019		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	-1,004	0	-1,004	1,127	0	1,127
Remeasurement of financial assets at FVOCI	-10,131	3,191	-6,940	30,662	-7,901	22,761
Remeasurement of insurance business investments			0			0
Remeasurement of hedging derivatives	668	-172	496	116	-31	85
Remeasurement of non-current assets			0			0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves			0			0
Actuarial gains and losses on defined benefit plans	1,584	-575	1,009	2,127	-590	1,537
Share of unrealized or deferred gains and losses of associates	18,249	0	18,249	53,271	0	53,271
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY	**9,366**	**2,444**	**11,810**	**87,303**	**-8,522**	**78,781**

V. SEGMENT INFORMATION

For segment reporting purposes, CMNE provides two levels of information. Information by business segment constitutes the first level and information by geographic area constitutes the second level.

6.6.20 Segment reporting by business segment (first level)

The CMNE group is structured around five divisions:

- French Bankinsurance;
- Belgian Bankinsurance;
- 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	
	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020
French Bankinsurance division	594,013	394,558	244,790	88,265	222,887	51,148	21,732,176	21,914,339
Belgian Bankinsurance division	243,836	242,024	20,750	33,090	9,202	11,751	6,838,683	7,143,508
Insurance Division	0	0	0	0	86,114	51,017	960,490	1,023,556
Third-party management division	188,585	147,826	29,393	7,532	44,515	22,878	694,222	571,846
Services and other activities division	3,626	3,199	3,983	1,616	16,635	48,096	181,370	225,270
Specific transactions and eliminations	-217,382	-22,264	-217,074	-22,264	-217,073	-21,757	-2,234,233	-2,055,345
TOTAL	**812,678**	**765,343**	**81,842**	**108,239**	**162,280**	**163,133**	**28,172,708**	**28,823,174**

SUMMARY BALANCE SHEET AND INCOME STATEMENTS BY DIVISION

Assets

12/31/2020	French Bankinsurance division	Belgian Bankinsurance division	Insurance Division	Third-party management division	Services and other activities division	Specific transactions and eliminations	Total
Financial assets at fair value through profit of loss	874,717	116,077	-	97,820	-	-44,527	1,044,087
Hedging derivative instruments	33,386	-	-	-	-	-30,678	2,708
Financial assets at fair value through other comprehensive income (OCI)	3,332,069	527,007	-	6,553	521	-1,996,302	1,869,847
Loans and receivables due from credit institutions	4,436,821	676,497	-	35,281	9,136	-163,475	4,994,260
Loans and receivables due from customers	12,581,773	5,607,799	-	2,201	-	-96,609	18,095,164
Remeasurement adjustment on interest rate risk hedged portfolios	41,266	21,958	-	-	-	-	63,224
Securities at amortized cost	43,597	-	-	-	-	-	43,597
Investments in insurance business line	-	-	-	-	-	-	-
Accruals and other assets	246,209	138,845	-	118,238	1,834	-1,658	503,468
Investments in equity-consolidated companies	-	-	1,023,556	28,774	196,108	273,691	1,522,129
Property, plant and equipment and intangible assets	322,474	55,325	-	92,592	16,947	-3,035	484,303
Goodwill	2,027	-	-	190,387	724	7,248	200,386
TOTAL	**21,914,339**	**7,143,508**	**1,023,556**	**571,846**	**225,270**	**-2,055,345**	**28,823,174**

12/31/2019	French Bankinsurance division	Belgian Bankinsurance division	Insurance Division	Third-party management division	Services and other activities division	Specific transactions and eliminations	Total
Financial assets at fair value through profit of 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 other comprehensive income (OCI)	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 equity consolidated companies	-	-	960,490	25,236	149,663	273,691	1,409,080
Property, plant and 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

12/31/2020	French Bankinsurance division	Belgian Bankinsurance division	Insurance Division	Third-party management division	Services and other activities division	Specific transactions and eliminations	Total
Financial liabilities at fair value through profit or loss	150,339	5,091	-	209	-	-538	155,101
Hedging derivative instruments	49,457	33,842	-	-	-	-30,140	53,159
Due to credit institutions	886,093	11,857	-	114,309	2,613	-151,501	863,371
Due to customers	14,333,109	6,147,586	-	-	431	-18,466	20,462,660
Debt securities	2,025,522	7,209	-	-	-	-	2,032,731
Remeasurement adjustment on interest rate risk hedged portfolios	-	-	-	-	-	-	-
Accruals and other liabilities	360,286	175,083	-	189,812	313	-1,685	723,809
Liabilities related to insurance business policies	-	-	-	-	-	-	-
Provisions	85,802	60,227	-	2,215	139	-	148,383
Subordinated debt	818,517	93,553	-	-	-	-90,117	821,953
Non-controlling interests	36,122	-327	-	7,131	-	28	42,954
Shareholders' equity excluding net income attributable to owners of the parent	3,117,944	597,636	972,539	235,293	173,678	-1,741,170	3,355,920
Profit (loss) for the period attributable to owners of the parent	51,148	11,751	51,017	22,878	48,096	-21,757	163,133
TOTAL	**21,914,339**	**7,143,508**	**1,023,556**	**571,846**	**225,270**	**-2,055,345**	**28,823,174**

12/31/2019	French Bankinsurance division	Belgian Bankinsurance division	Insurance Division	Third-party management division	Services and other activities division	Specific transactions and eliminations	Total
Financial liabilities at fair value through profit or loss	592,169	4,964	-	0	-	0	597,133
Hedging derivative instruments	59,642	34,047	-	-	-	-31,444	62,245
Due to 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 parent	2,896,324	591,096	874,376	224,270	159,680	-1,571,007	3,174,739
Profit (loss) for the period attributable to owners of the parent	222,887	9,202	86,114	44,516	16,635	-217,074	162,280
TOTAL	**21,732,176**	**6,838,683**	**960,490**	**694,222**	**181,370**	**-2,234,233**	**28,172,708**

INCOME STATEMENT

12/31/2020	French Bankinsurance division	Belgian Bankinsurance division	Insurance Division	Third-party management division	Services and other activities division	Specific transactions and eliminations	Total
Net banking income	**394,558**	**242,024**	**-**	**147,826**	**3,199**	**-22,264**	**765,343**
of which net interest margin	*182,318*	*204,288*	-	*-1,331*	*-54*	*181*	*385,402*
of which commissions	*197,554*	*32,986*	-	*94*	-	*-6,592*	*224,042*
General operating expenses	-306,293	-208,934	-	-140,294	-1,583	-	-657,104
Gross operating income/(loss)	**88,265**	**33,090**	**-**	**7,532**	**1,616**	**-22,264**	**108,239**
Cost of risk	-23,917	-19,508	-	-59	46	507	-42,931
Operating income	**64,348**	**13,582**	**-**	**7,473**	**1,662**	**-21,757**	**65,308**
Share of net income/(loss) of associates	-	-	51,017	901	46,765	-	98,683
Net gains/(losses) on disposals of other assets	-233	312	-	17,683	-	-	17,762
Changes in the value of goodwill	-	-	-	-	-	-	-
Profit/(loss) before tax	**64,115**	**13,894**	**51,017**	**26,057**	**48,427**	**-21,757**	**181,753**
Corporate income tax	-12,504	-2,126	-	-2,799	-331	-	-17,760
Post-tax gain/(loss) on discontinued operations	-3	-	-	3,468	-	-	3,465
Total net profit/(loss)	**51,608**	**11,768**	**51,017**	**26,726**	**48,096**	**-21,757**	**167,458**
Non-controlling interests	460	17	-	3,848	-	-	4,325
NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	**51,148**	**11,751**	**51,017**	**22,878**	**48,096**	**-21,757**	**163,133**

12/31/2019	French Bankinsurance division	Belgian Bankinsurance division	Insurance Division	Third-party management division	Services and other 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**
Cost of risk	-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
Net gains/(losses) on disposals of 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 OWNERS OF THE PARENT	**222,887**	**9,202**	**86,114**	**44,515**	**16,635**	**-217,073**	**162,280**

Segment reporting by geographic area (SECOND LEVEL)

Country	Net banking income	Workforce	Net profit/(loss) attributable to owners of the parent
GERMANY	6,644	34	-3,387
BELGIUM	242,024	1,041	11,751
SPAIN	972	4	74
USA	1	6	534
FRANCE	505,295	3,063	155,158
HONG KONG	0	0	-1,463
LUXEMBOURG	0	5	0
UK	10,407	33	465
TOTAL	**765,343**	**4,186**	**163,133**

VI. OTHER INFORMATION

6.6.21 The following standards and interpretations have not yet been adopted by the European Union

6.6.21.1 IFRS 17 – Insurance Contracts

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, mainly between international players.

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 for the valuation of liabilities. This changes the mechanics of the income statement, due to the contractual amortization of the insurance services margin, which represents the expected profit/(loss) over the useful life of the leases.

As part of the amendments to IFRS 17 published by the IASB in June 2020, the date of application of IFRS 17 initially scheduled for 2021 has been postponed by two years to January 1, 2023. The application of IFRS 9 for insurance entities that have opted for deferral (as GCM did) was also covered by an amendment by the IASB for an extension until 2023.

IFRS 17 as published in 2017 and amended in 2020 is in the process of being adopted by European bodies.

At the end of April 2020, the IASB ruled on the requirements for the granularity of reserve calculations and the grouping of contracts by underwriting year (annual cohorts). These remain unchanged, despite an incompatibility with the principle of mutualization. On September 30, 2020, EFRAG issued a favorable draft opinion on the adoption of IFRS 17, with the exception of the topic of annual cohorts, on which there was no consensus.

The group's Insurance divisions are continuing to analyze and prepare for the implementation of the provisions of IFRS 17. The group also continued discussions on financial communication at the conglomerate level in connection with the IASB's reflections on primary financial statements.

6.6.21.2 Amendments to IFRS 3 – Reference to the conceptual framework

This amendment updates IFRS 3 so that it refers to the updated 2018 version of the Conceptual framework (replacing the reference to its previous 1989 version).

It introduces an exception so as not to create discrepancies with the current consequences in terms of the recognition of assets and liabilities in business combinations.

Under such amendment, acquirers must refer to the definitions laid down by IAS 37 – Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies Charged by Public Authorities, instead of those provided in the new Conceptual Framework.

Acquirers must not recognize any assets acquired in a business combination.

6.6.21.3 Amendments to IAS 37 – cost of fulfilling a contract

This amendment clarifies the notion of "unavoidable costs" used to define an onerous contract.

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

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

6.6.21.4 Amendments to IAS 16 – Proceeds before intended use

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

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

6.6.21.5 Improvements to IFRS – 2018-2020 cycle

Amendments modify the following standards:

- IFRS 1 – First-time adoption of IFRS: simplifies the application of IFRS 1 for a subsidiary adopting IFRS after its parent;
- IFRS 9 – Financial instruments: specifies the fees and costs to be included in the 10% test for derecognition of financial liabilities. These only include fees and costs paid, or received, by borrowers and lenders, including those paid, or received, on behalf of others;
- IFRS 16 – Leases: amends illustrative example 13 to avoid any confusion regarding the treatment of benefits received by lessors;
- IAS 41 – Agriculture: makes it possible to align the measurement of fair value under IAS 41 with that of other IFRS standards.

6.6.22 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, if financial instruments carried at amortized cost were to be transferred, the selling price may be significantly different from the fair value calculated at the reporting date.

	12/31/2020					
	Market value	Carrying amount	Unrealized gain or loss	Level 1	Level 2	Level 3
Financial assets at amortized cost – IFRS 9	**24,553,830**	**22,074,359**	**2,479,471**	**0**	**5,203,461**	**19,350,373**
Loans and receivables due from credit institutions	5,081,720	3,935,598	1,146,122	0	5,081,724	0
Loans and receivables due from customers	19,468,513	18,095,164	1,373,349	0	118,140	19,350,373
Securities	3,597	43,597	-40,000	0	3,597	0
Financial liabilities at amortized cost – IFRS 9	**24,967,471**	**24,180,715**	**786,756**	**841,699**	**14,283,658**	**9,842,116**
Due to credit institutions	863,373	863,371	2	0	863,374	1
Due to customers	21,084,817	20,462,660	622,157	0	11,242,702	9,842,115
Debt securities	2,157,709	2,032,731	124,978	0	2,157,709	0
Subordinated debt	861,572	821,953	39,619	841,699	19,873	0

	12/31/2019					
	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

6.6.23 Related parties

	12/31/2020		12/31/2019	
	Fully-consolidated entities	Entities consolidated using the equity method	Fully-consolidated entities	Entities consolidated using the equity method
Assets	**192,744**	**154,455**	**560,207**	**177,577**
Financial assets at fair value through profit or loss	10,488	0	11,884	0
Financial assets at FVOCI	0	0	0	0
Financial assets at amortized cost	179,501	151,700	545,201	174,455
of which current accounts	*0*	*0*	*4,354*	*0*
Hedging derivative instruments	0	0	0	0
Investments in insurance business line	0	0	0	0
Other assets	2,755	2,755	3,122	3,122
Liabilities	**905,079**	**339,888**	**466,768**	**442,610**
Due to credit institutions	543,127	0	6,878	0
of which current accounts	*5,890*	*0*	*9,458*	*0*
Hedging derivative instruments	0	0	0	0
Liabilities at fair value through profit or loss	44,893	44,893	407,222	393,510
Due to customers	34,215	19,439	35,631	32,063
Debt securities	269.082	261,794	0	0
Subordinated debt	13,762	13,762	17,037	17,037
Interest income	5,681	5,681	16,217	5,675
Interest expense	-1,060	-4,365	-20,314	-4,847
Commission income	112,348	112,348	109,617	109,617
Commission expense	-1,359	-5,275	-5,184	-6,653
Net gains/(losses) on financial assets at FVOCI and FVPL	7,065	0	-6,500	0
Net income from insurance business line	0	0	0	0
Other income and expenses	0	-1,075	0	-1,041
NBI	**122,675**	**107,314**	**93,836**	**102,751**
General operating expenses	-6,475	-49,251	-6,861	-46,508

	12/31/2020		12/31/2019	
	Fully-consolidated entities	Entities consolidated using the equity method	Fully-consolidated entities	Entities consolidated using the equity method
Financing commitments given	11,000	0	21,000	0
Guarantees given	56,637	0	29,222	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.

6.6.24 Remuneration of shares

The consolidating entity has provided for the payment, outside the CMNE group, of dividends totaling €14,798 thousand.

6.6.25 Executive compensation

In € thousands	12/31/2020	12/31/2019
Short-term employee benefits	1,468	1,518
Post-employment benefits*		
Other long-term benefits		
Termination benefits		
Share-based payments	n.a.	n.a.

* Caisse Fédérale CMNE and Beobank.

6.6.26 Statutory auditors' fees

	Members of Mazars network		Members of Deloitte network		Members of other networks	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Audit						
Statutory auditors, certification	474	477	643	852	17	39
Ancillary assignments	0	1	0	37	0	0
Sub-total	**474**	**478**	**643**	**889**	**17**	**39**
Other services						
Legal, tax and corporate advisory services					271	487
Information technology					0	0
Internal audit					0	66
Other					0	63
Sub-total	**0**	**0**	**0**	**0**	**271**	**616**
TOTAL	**474**	**478**	**643**	**889**	**288**	**655**

6.6.27 Events after the reporting date

The Chairmen of Fédération du Crédit Mutuel Nord Europe's local banks, at the extraordinary shareholders' meeting of January 15, 2021, approved the principle of joining Crédit Mutuel Alliance Fédérale. This vote had no effect on the financial statements for the year ended December 31, 2020.

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ending on December 31, 2020

To the shareholders' meeting of 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, 2020.

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, 2020 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) regulation No. 537/2014 or by the professional code of conduct of statutory auditors.

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 2020 included reviews of compliance with certain regulations and reviews of tax returns;
- Mazars: the main assignments carried out during 2020 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 statement of non-financial performance included in the management report.

Justification of the assessment – Key points of the audit

The global crisis linked to the COVID-19 pandemic creates special conditions for the preparation and audit of the financial statements for this financial year. As such, this crisis and the exceptional measures taken as part of the health state of emergency have affected companies in many ways, particularly their business, financing and gave rise to increased uncertainty regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and on the way audits are carried out.

It is in this complex and evolving context that, Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code pertaining to the 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.).
The COVID-19 epidemic resulted in a health and economic crisis, thereby affecting the solvency of borrowers, with mixed impacts from one geographic area to another and also from one business sector to another. To address this crisis, governmental measures, specific to each country were rolled out (short-time working, State-guaranteed loans, moratoriums, etc.).
In this context marked by significant uncertainty related to the evolving context of the pandemic and by the absence of a comparable historical situation, the methods used to calculate provisions for expected credit losses have required a certain number of adjustments as specified in the note I. "General information – Health crisis linked to COVID-19 – Credit risk". These impairment provisions for expected losses are supplemented by sectoral provisions.

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 for the 2020 fiscal year 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, as well as in the assessment of the level of individual provisioning of outstanding loans in status 3.

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, 2020 (gross exposures of €24.5 billion, including €22.6 billion for loans and receivables). The accumulated impairment provisions on outstanding loans totaled €593.8 million, including €52.3 million in respect of status 1, €58.5 million in respect of status 2 and €483.1 million in respect of status 3. The cost of risk for fiscal year 2020 presented in note 28 of the notes to the financial statements amounts to -€42.9 million.
For more details on accounting principles and exposures, please refer to the notes "III. Accounting principles – Financial instruments under IFRS 9", "IV. Note 5: Gross values and movements in impairment provisions" and "IV. Note 28 Cost of risk" of the appendix.

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:
  - ensuring that the group has a governance in place that 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,
  - carried out controls on the change in policies and adjustments made to the methods used to calculate impairment provisions for expected credit losses as part of the crisis due to the COVID-19 pandemic,
  - assessed the appropriate level of these parameters used to calculate the impairment provisions as of December 31, 2020,
  - carried out counter-calculations on the main loan portfolios,
  - reviewed the standard options and the methods used to calculate sectoral provisions.

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;
- a 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, 2020.

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, 2020, the net value of the goodwill was €200 million. It should be noted that the goodwill in respect of the Third-party management CGU accounted for more than 99% 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 the 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. In this respect, and in the unfavorable economic context linked to the health crisis, we 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 "Third-party management" CGU by an external valuation firm; • taken note of GACM according to the Appraisal Value method; • compared the assumptions and parameters used for these valuations with external sources; • assessed the compliance of the valuation methods with market practices; • examined the reasonable nature, in particular in the context of the economic and financial health crisis, of the medium-term plans adopted for each CGU in question; • 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.

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 the 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

Format of the consolidated financial statements intended to be included in the annual financial report

In accordance with paragraph III of Article 222-3 of the AMF General Regulation, the management of your company informed us that it has decided postpone the application of the single electronic information format as defined by Delegated European regulation 2019/815 of December 17, 2018 to the financial years beginning on or after January 1, 2021. As a result, this report does not include a conclusion on compliance with this format for the presentation of the consolidated financial statements intended to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code.

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, 2020, Deloitte & Associés was in the fourteenth consecutive year of its term of office and Mazars was in its ninth 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.

During the preparation of consolidated financial statements, it is incumbent upon management to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it is foreseen to liquidate the company or cease doing business.

The 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 mission of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditor exercises its professional judgment throughout the audit process. Furthermore:

- it identifies and assesses the 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 it 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 application by management of the accounting policy for a going concern and, depending on the items gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the 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, it brings the information provided in the consolidated financial statements regarding such uncertainty to the attention of readers of its report or, if such information is not provided or is not relevant, the statutory auditor issues a qualified opinion or a denial of opinion;
- it assesses the overall presentation of the consolidated financial statements and assesses 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 it 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 conduct. Where relevant, we discuss with the audit committee any risks to our independence and the safeguards applied.

Courbevoie and Paris-La Défense, April 13, 2021

The statutory auditors

Mazars

Anne VEAUTE

Deloitte & Associés

Marjorie BLANC LOURME

6.8 ANNUAL FINANCIAL STATEMENTS OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE FOR THE YEAR ENDED DECEMBER 31, 2020

6.8.1 Statement of financial position at December 31, 2020

ASSETS

In € thousands		12/31/2020	12/31/2019	Change	
Local bank, central banks, CCP	**Note 1**	**450,118**	**621,665**	**-171,547**	**-27.59%**
Government securities and similar instruments		**189,753**	**193,004**	**-3,251**	**-1.68%**
Receivables on credit institutions	**Note 2**	**16,323,268**	**14,767,427**	**1,555,841**	**10.54%**
• *Demand*		*126,853*	*94,878*	*31,975*	*33.70%*
• *Term*		*16,196,415*	*14,672,549*	*1,523,866*	*10.39%*
Customer loans	**Note 3**	**939,625**	**996,230**	**-56,605**	**-5.68%**
• *commercial loans*		*2,288*	*2,880*	*-592*	*-20.56%*
• *other customer receivables*		*904,530*	*920,699*	*-16,169*	*-1.76%*
• *overdrawn current accounts*		*32,807*	*72,651*	*-39,844*	*-54.84%*
Bonds and other fixed-income securities	**Notes 4, 12**	**1,272,219**	**1,918,554**	**-646,335**	**-33.69%**
Shares and other variable income securities	**Note 4**	**468,983**	**226,998**	**241,985**	**106.60%**
Holdings and other long-term investments	**Notes 4, 12**	**20,183**	**15,337**	**4,846**	**31.60%**
Investments in subsidiaries and associates	**Notes 4, 12**	**2,382,582**	**2,367,115**	**15,467**	**0.65%**
Intangible assets	**Note 5**	**108**	**237**	**-129**	**-54.43%**
Property, plant and equipment	**Note 5**	**17,003**	**18,889**	**-1,886**	**-9.98%**
Capital subscribed not paid				**-**	**-**
Treasury shares				**-**	**-**
Other assets	**Note 6**	**213,200**	**164,614**	**48,586**	**29.52%**
Accruals	**Note 6**	**187,243**	**94,574**	**92,669**	**97.99%**
TOTAL ASSETS		**22,464,285**	**21,384,644**	**1,079,641**	

LIABILITIES

In € thousands		12/31/2020	12/31/2019	Change	
Central banks, CCP	**Note 1**	**-**	**-**	**-**	**-**
Amounts due to credit institutions	**Note 2**	**17,137,910**	**15,518,654**	**1,619,256**	**10.43%**
• *Demand*		*650,867*	*554,854*	*96,013*	*17.30%*
• *Term*		*16,487,043*	*14,963,800*	*1,523,243*	*10.18%*
Deposits from customers	**Note 3**	**586,769**	**518,081**	**68,688**	**13.26%**
Special savings accounts		2,202	2,144	58	2.71%
• *Demand*		*2,202*	*2,144*	*58*	*2.71%*
• *Term*		-	-	-	-
Other debt		584,567	515,937	68,630	13.30%
• *Demand*		*536,398*	*449,966*	*86,432*	*19.21%*
• *Term*		*48,169*	*65,971*	*-17,802*	*-26.98%*
Debt securities	**Note 7**	**2,061,730**	**2,789,430**	**-727,700**	**-26.09%**
• *Certificates of deposit*		-	-	-	-
• *Interbank market securities*		*1,293,031*	*1,830,998*	*-537,967*	*-29.38%*
• *Bonds*		*768,699*	*958,432*	*-189,733*	*-19.80%*
• *Other debts represented by a security*		-	-	-	-
Other liabilities	**Note 6**	**130,593**	**134,680**	**-4,087**	**-3.03%**
Accruals	**Note 6**	**193,789**	**91,619**	**102,170**	**111.52%**
Provisions	**Notes 8, 12**	**13,197**	**12,764**	**433**	**3.39%**
Subordinated debt	**Note 9**	**818,077**	**818,120**	**-43**	**-0.01%**
Fund for general banking risks	**Note 10**	**10,000**	**10,000**	**-**	**-**
Shareholders' equity excluding FGBR	**Note 11**	**1,512,220**	**1,491,296**	**20,924**	**1.40%**
• *Subscribed capital*		*385,722*	*372,545*	*13,177*	*3.54%*
• *Additional paid-in capital*		-	-	-	-
• *Reserves*		*1,118,751*	*895,164*	*223,587*	*24.98%*
• *Revaluation differences*		-	-	-	-
• *Untaxed provisions and subsidies Investments*		-	-	-	-
• *Retained earnings*		-	-	-	-
• *Profit/(loss) for the period*		*7,747*	*223,587*	*-215,840*	*-96.54%*
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**22,464,285**	**21,384,644**	**1,079,641**	

6.8.2 Net profit/(loss) at December 31, 2020

INCOME STATEMENT

In € thousands		12/31/2020	12/31/2019	Change	
Interest and similar income	**Note 17**	**275,186**	**284,793**	**-9,607**	**-3.37%**
Interest & similar income from transactions with credit institutions		237,053	248,503	-11,450	-4.61%
Interest & similar income from transactions with customers		18,403	20,532	-2,129	-10.37%
Interest & similar income from bonds & fixed-income securities		10,027	14,045	-4,018	-28.61%
Other interest and similar income		9,703	1,713	7,990	n.s.
Interest and similar expenses	**Note 17**	**-290,641**	**-336,447**	**45,806**	**-13.61%**
Interest & similar expenses from transactions with credit institutions		-226,362	-260,582	34,220	-13.13%
Interest & similar expenses from transactions with customers		-956	-303	-653	215.51%
Interest & similar expenses from bonds & fixed-income securities		-63,323	-75,562	12,239	-16.20%
Other interest and similar expenses		-	-	-	-
Income from variable income securities	**Note 18**	**47,111**	**239,930**	**-192,819**	**-80.36%**
Commissions (income)	**Note 19**	**16,229**	**40,418**	**-24,189**	**-59.85%**
Commissions (expenses)	**Note 19**	**-14,046**	**-36,074**	**22,028**	**-61.06%**
Gains or losses on trading portfolios	**Note 20**	**2,337**	**144**	**2,193**	**n.s.**
Gains or losses on trading securities		1,435	-	1,435	n.s.
Gains or losses on currency transactions		31	155	-124	-80.00%
Gains or losses on financial instruments		871	-11	882	n.s.
Gains or losses on investment and similar portfolios	**Note 21**	**-10,156**	**12,948**	**-23,104**	**-178.44%**
Capital gains and reversals on impairment losses		421	15,697	-15,276	-97.32%
Capital losses and provisions for impairment losses		-10,577	-2,749	-7,828	284.76%
Other banking operating income	**Note 22**	**4,847**	**4,158**	**689**	**16.57%**
Other banking operating expenses	**Note 22**	**-590**	**-556**	**-34**	**6.12%**
NET BANKING INCOME		**30,277**	**209,314**	**-179,037**	**-85.54%**
General operating expenses	**Note 23**	**-34,542**	**-33,200**	**-1,342**	**4.04%**
Employee benefits expense		-106,375	-120,087	13,712	-11.42%
Other administrative expenses		71,833	86,887	-15,054	-17.33%
Depreciation & amortization of intangible assets & property, plant and equipment	**Note 24**	**-2,735**	**-2,836**	**101**	**-3.56%**
GROSS OPERATING INCOME		**-7,000**	**173,278**	**-180,278**	**-104.04%**
Cost of risk	**Note 25**	**-2,213**	**-3,772**	**1,559**	**-41.33%**
Reversals of provisions and recovery of written-off debts		8,523	8,258	265	3.21%
Provisions and loan losses		-10,736	-12,030	1,294	-10.76%
OPERATING INCOME		**-9,213**	**169,506**	**-178,719**	**-105.44%**
Profit or loss on non-current assets	**Note 26**	**7,054**	**43,650**	**-36,596**	**-83.84%**
RECURRING INCOME BEFORE TAX		**-2,159**	**213,156**	**-215,315**	**-101.01%**
Profit or loss on non-recurring activities	**Note 27**	**-329**	**-5,689**	**5,360**	**-94.22%**
Non-recurring income		-1	-	-1	n.s.
Non-recurring expenses		-328	-5,689	5,361	-94.23%
Corporate income tax	**Note 28**	**10,235**	**16,120**	**-5,885**	**-36.51%**
Allocation/reversal of FGBR and regulated provisions	**Note 29**	**-**	**-**	**-**	**-**
NET PROFIT/(LOSS)		**7,747**	**223,587**	**-215,840**	**-96.54%**

6.8.3 Off-balance sheet commitments at December 31, 2020

COMMITMENTS GIVEN

In € thousands		12/31/2020	12/31/2019	Change	
FUNDING COMMITMENTS	**NOTE 14**	**181,558**	**212,646**	**-31,088**	**-14.62%**
Liabilities due to credit institutions		43,000	47,250	-4,250	-8.99%
Commitments to customers		138,558	165,396	-26,838	-16.23%
GUARANTEE COMMITMENTS	**NOTE 15**	**338,167**	**597,220**	**-259,053**	**-43.38%**
Credit institution commitments		29,320	30,793	-1,473	-4.78%
Customer commitments		308,847	566,427	-257,580	-45.47%
SECURITIES COMMITMENTS		**189**	**4,944**	**-4,755**	**-96.18%**

COMMITMENTS RECEIVED

In € thousands		12/31/2020	12/31/2019	Change	
FUNDING COMMITMENTS	**NOTE 14**	**-**	**640,715**	**-640,715**	**-100.00%**
Commitments received from credit institutions		-	640,715	-640,715	-100.00%
Commitments received from customers		-	-	-	-
GUARANTEE COMMITMENTS	**NOTE 15**	**875,015**	**877,076**	**-2,061**	**-0.23%**
Commitments received from credit institutions		8,051	9,484	-1,433	-15.11%
Guarantees received from customers		866,964	867,592	-628	-0.07%
SECURITIES COMMITMENTS		**189**	**4,944**	**-4,755**	**-96.18%**

6.8.4 Notes to the annual financial statements of Caisse Fédérale du Crédit Mutuel Nord Europe

6.8.4.1 Key events of the fiscal year

6.8.4.1.1 Highlights of the fiscal year

Health crisis

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 which may experience difficulties, particularly VSEs/SMEs.

The group has adhered to the relief plan initiated by the French State. It offers State-guaranteed loans to support the cash flow of its corporate and professional customers.

At December 31, 2020, State-guaranteed loans granted by Caisse Fédérale amounted to €93.8 million.

Simplified merger of La Française Global Investments and Caisse Fédérale du CMNE

With a view to simplifying and streamlining Groupe CMNE's legal entities, governance and cash-flows, the board of directors of Caisse Fédérale and the management board of La Française Global Investments finalized a joint agreement on the terms and conditions governing the simplified merger of La Française Global Investments and Caisse Fédérale du CMNE.

For tax and accounting purposes, this transaction took place with a retroactive effect on January 1, 2020.

6.8.4.1.2 Events after the reporting date

The chairmen of Fédération du Crédit Mutuel Nord Europe's local banks, at the extraordinary shareholders' meeting of January 15, 2021, approved the principle of joining Crédit Mutuel Alliance Fédérale.

This vote had no effect on the financial statement for the year ended December 31, 2020.

6.8.4.2 Accounting policies and valuation methods

6.8.4.2.1 Structure

Caisse Fédérale du Crédit Mutuel Nord Europe is affiliated with Fédération du Crédit Mutuel Nord Europe, which is itself affiliated with Confédération Nationale du Crédit Mutuel.

The financial statements presented in this document pertain to the scope described above.

6.8.4.2.2 Presentation of the financial statements

The financial statements are presented in publishable form in accordance with ANC Regulation 2014-07 of November 26, 2014.

They were prepared in accordance with the provisions of the accounting regulations applicable to credit institutions and with the accounting principles generally accepted in the French banking profession, by means of a transposition of the chart of accounts used.

6.8.4.2.3 Comparability of accounts and derogations

No derogation to the accounting policies and principles was used during the fiscal year.

Due to the impact of the financial crisis on the value of fixed-income assets (bonds), CNC, through Notice 2008-19 of December 8, 2008, amended Regulation No. 90-01 of the banking regulations committee, thereby authorizing, as of June 30, 2008, the reclassification of short-term investment securities and trading securities to long-term investment securities in the event of a change in the holding strategy.

In 2008, this provision enabled CFCMNE to reclassify €322.6 million in short-term investment securities to long-term investment securities. The spreading of provisions recognized at June 30, 2008 in respect of this provision generated income of €0.5 million in the financial statements closed at December 31, 2020.

6.8.4.2.4 General principles and valuation methods

Non-current assets and depreciation/amortization

In accordance with ANC Regulation 2014-03, non-current assets are recognized in the balance sheet at their acquisition cost.

Property, plant and equipment are depreciated on a straight-line basis or by using diminishing balance method according to their probable useful lives:

- 30 years for buildings;
- 20 years for equipment;
- five to ten years for fixtures;
- three to ten years for other equipment and furniture.

Intangible assets are recorded at acquisition cost. They are subject to impairment testing when there is evidence that they have diminished in value. Software resulting from an external purchase is amortized on a straight-line basis over a period no greater than four years.

Securities portfolio

Securities transactions recognized in accordance with ANC Regulation 2014-07 of November 26, 2014.

The rules apply regardless of the legal medium used (shares, bonds, treasury bills, certificates of deposit, negotiable promissory notes, negotiable debt securities, etc.) and depend on the purpose of the transactions.

- Trading securities: securities acquired or sold with the intention of reselling them or repurchasing them in the short term and which are traded on markets whose liquidity is guaranteed. Securities are recognized at their transaction price. At each balance sheet date, they are measured at market value and the overall balance of differences resulting from changes in value is recognized on the income statement as income or expense.
- Short-term investment securities are acquired with the intention of holding them for more than six months, in order to obtain income. They are recognized excluding acquisition costs and accrued interest. The difference between the purchase price of fixed-income securities and their redemption price is recognized in the income statement, using the actuarial method, over their residual term of the securities (spreading of the premium or discount).

  At the end of the financial year they are measured separately at the lower of their acquisition cost or their estimated value. Unrealized capital losses are booked through provisions, while unrealized capital gains are not recognized.

- Long-term investment securities are fixed-income securities acquired with the intention of holding them over the long term. In accordance with regulatory requirements, unrealized losses are not subject to provisions and any difference between the purchase price and the redemption value is recognized in the income statement, using the actuarial method, until their redemption date.
- Holdings and other long-term investments is a category that includes investments made in the form of securities giving rights to the capital of a company, creating a lasting link with it, but with no significant influence on its management. These securities are measured separately as of December 31, at the lowest of their value-in-use or acquisition price. Various criteria are used to determine value-in-use at year-end, such as net asset value or return on equity. When value-in-use drops below acquisition cost, impairment is recognized through a provision for asset impairment. Unrealized capital gains are not recognized.
- Investments in subsidiaries and associates are securities where holding long-term is deemed useful to the company's activity, especially because it makes it possible to exercise an influence on the issuer, or to ensure control of it thereby justifying its full consolidation in a single consolidable entity. These securities are measured separately as of December 31, at the lowest of their value-in-use or acquisition price. Various criteria are used to determine value-in-use at year-end, such as net asset value or return on equity. When value-in-use drops below acquisition cost, impairment is recognized through a provision for asset impairment. Unrealized capital gains are not recognized.

Loans and write-down of non-performing loans

Loans granted to customers are recognized in the balance sheet at their nominal value, net of any impairment losses recorded.

Non-performing loans are determined according to ANC regulation 2014-07.

More specifically, receivables of any category, even with guarantees, that present a probable risk of non-recovery are systematically reclassified: overdrawn current accounts without authorization or arrears on loan payments of more than three months or that are subject to judicial litigation (court-ordered reorganization, proceedings under the Neiertz Act, etc.);

When there is a probable risk of partial or total non-recovery, non-performing loans are transferred to a specific account and are impaired after assessment on a case-by-case basis and a corresponding provision is booked in the income statement.

As part of the reform of the treatment of credit risk, and in accordance with ANC Regulation 2014-07, non-performing loans are distinguished between "simple" non-performing loans and "irrevocable" non-performing. Non-performing loans are classified as irrevocable when events of default have been pronounced or have been downgraded to non-performing for more than one year.

Under the same provisions and with the exception of overdraft interest on current accounts not covered by the reform, interest on non-performing loans is no longer recognized when a loan is classified as irrevocable.

In accordance with Article 2231-2 of ANC Regulation 2014-07, the impairment recognized is equal, in present value, to all projected losses for non-performing or irrevocable non-performing loans. Projected losses are equal to the difference between the initial contractual flows (less flows already collected) and the projected flows.

Provisions

Provisions for risks are made in accordance with the provisions of ANC Regulation 2014-03 and adjusted each year to cover any risks incurred as a result of commitments made. These provisions are allocated and may or may not be tax deductible depending on their nature.

In order to reconcile the annual financial statements and IFRS financial statements as closely as possible, and to raise awareness among the network of the cost of risk "incurred", collective provisions, previously recorded in the consolidated financial statements, are booked in the annual financial statements of the group's banking entities. A collective provision is recognized for credit risk on outstanding loans which have not been downgraded and calculated on the basis of expected credit losses. These provisions are not tax deductible.

As part of the provision process for performing loans, the Crédit Mutuel Nord Europe group took into account the unprecedented and brutal nature of the COVID-19 crisis on the macroeconomic environment.

The weighting of the worst-case scenario has been increased in line with the Banque de France's macroeconomic projections, to calibrate the forward looking probabilities of default on all portfolios using the internal rating method. This measure was taken in parallel with a more severe worst-case scenario for individuals and sole traders customers.

In accordance with the authorities' recommendations, an additional provision has been set aside to anticipate the increase losses for business segments considered to be most vulnerable to health crisis (tourism, games, leisure, hotels, restaurants, the automotive and aerospace industries excluding manufacturers, ready-to-wear, beverage retail, light vehicle rentals, passenger and industrial transport services, airlines).

Pursuant to CNC recommendation 2006.02, a provision covering the risks related to mortgage saving agreements has been recorded in the annual financial statements. Mortgage savings accounts ("CEL") and mortgage savings plans ("PEL") are government-regulated retail products available in France.

In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable rate interest);
- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data approved at country level for Crédit Mutuel. A provision is made as a liability on the balance sheet to cover future expenses relating to the potentially unfavorable conditions of these products, compared to the interest rates offered to individual customers for similar products, but which are not regulated in terms of compensation. This approach is led by uniform generation of PEL and CEL in terms of regulated conditions. The impact on profit or loss is recorded under interest paid to customers.

Fund for general banking risks

This item includes the specific funds set up for loan guarantees and for solidarity-based measures, in accordance with the Financial Regulations applicable to the group.

Long-term commitments for employee 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.

Commitments for retirement benefits are covered by a contract taken out with an insurance company.

Pursuant to CNC Notice no. 2004-05 of March 25, 2004, long service awards are recognized in the financial statements of Crédit Mutuel Nord Europe in accordance with the provisions laid down by ANC Regulation 2014-03 on liabilities; the commitment was valued according to the methods used for "other long-term benefits" in CNC Recommendation No. 2003-R-01.

Forward financial instruments

These transactions are recognized in accordance with ANC Regulation 2014-07.

Commitments relating to these transactions are recorded in off-balance sheet items at the nominal value of the contracts. Those relating to options transactions are recognized in off-balance sheet commitments at the nominal value of the underlying commitment.

The methods used to record income vary depending on the instruments and the intentions of the original operators.

Income and expenses relating to forward financial instruments intended to hedge and manage the overall risk of institutions are recognized on a prorated basis in the income statement. Unrealized gains and losses are not recognized.

Income and expenses relating to transactions on over-the-counter markets which are one-off positions are recognized in profit or loss when the transaction is settled (recognition of capital gains or losses) or prorated basis (recognition of accrued interest) according to the nature of the instrument. Any unrealized losses recorded in relation to market value are subject to a provision for contingencies and charges.

Changes in the value of contracts on organized markets and similar markets, falling within the category of one-off positions, are immediately recognized in the income statement at each reporting date.

The market value is determined according to the nature of the markets in question (organized and similar or over-the-counter). Instruments relating to organized markets are permanently listed to justify their valuation at market price.

In the case of interest rate or currency swaps, market value is determined based on the price calculated by discounting future cash flows at the market interest rate.

Recognition of income and expenses

The recognition of all expenses and income, including commissions, complies with the principle of matching the accounting impact in the same fiscal year.

Details on the recognition of income from securities portfolios:

- Income from shares and open-end investment companies (SICAV) is recognized as and when it is collected;
- Income from bonds is recognized in profit or loss, on a prorated basis according to the period of time they have been held. Accrued interest upon purchase is recorded in an accrual account. Tax credits and tax deductibles relating to income subject to the ordinary tax regime are not recorded with income;
- Profit/(loss) on the disposal of securities.

  Income from transactions affecting the trading book is recognized in trading book gains or losses; capital gains or losses on disposals, as well as additions to or reversals of provisions relating to the investment securities portfolio are recognized in investment portfolio gains or losses.

  On the other hand, profit/(loss) on the disposal of equity investments and subsidiaries, as well as the additions to or reversals of provisions booked for these same items, are included in income from non-current assets;
- Unrealized capital gains on capitalization and retail UCITS are included in the tax group as of December 31.
- Dividends are recognized in the fiscal year in which they are paid out.

Income tax

The income tax expense recorded in the income statement represents the tax payable for the fiscal year calculated in accordance with the provisions of the tax group which enables to add up the taxable income of Caisse Fédérale, five La Française group entities, Bail Acta, Bail Actea Immobilier and of all local banks.

Furthermore, since 2007 and in accordance with CNC Notice 2007-B, CMNE banks have been spreading the tax expense related to tax credits on interest-free loans (PTZ) through installments.

6.8.4.3 Information on balance sheet, off-balance sheet and income statement items *(in € thousands)*

6.8.4.3.1 Statement of financial position

Detailed notes summary

NOTE 1 Cash and amounts due from central banks, CCP – Government securities and similar instruments

Assets

LOCAL BANKS, CENTRAL BANKS, CCP

	12/31/2020	12/31/2019	Change	
Cash and cash equivalents	11,268	10,274	994	9.67%
Other securities	-	-	-	-
Central banks	438,850	611,391	-172,541	-28.22%
Postal Check Office	-	-	-	-
Accrued interest	-	-	-	-
TOTAL	**450,118**	**621,665**	**-171,547**	**-27.59%**

GOVERNMENT SECURITIES AND SIMILAR INSTRUMENTS

	12/31/2020	12/31/2019	Change	
Government bonds (investment)	189,753	193,004	-3,251	-1.68%
Impairment	-	-	-	-
TOTAL	**189,753**	**193,004**	**-3,251**	**-1.68%**

NOTE 2 Transactions with credit institutions

RECEIVABLES ON CREDIT INSTITUTIONS

	12/31/2020	12/31/2019	Change	
Receivables – on demand	**126,853**	**94,878**	**31,975**	**33.70%**
Overdrawn current accounts	7,039	5,580	1,459	26.15%
Crédit Mutuel network accounts	119,195	88,462	30,733	34.74%
Securities not posted	619	836	-217	-25.96%
Receivables – in the future	**16,196,415**	**14,672,549**	**1,523,866**	**10.39%**
Term deposits and borrowings	15,035,994	14,302,576	733,418	5.13%
Crédit Mutuel network accounts	1,039,415	246,780	792,635	321.19%
Securities received under repurchase agreements delivered	-	-	-	-
Equity loans	12,117	9,087	3,030	33.34%
Perpetual loans	90,000	90,000	-	-
Accrued interest	18,889	24,106	-5,217	-21.64%
TOTAL	**16,323,268**	**14,767,427**	**1,555,841**	**10.54%**

Perpetual loans of €90 million to the Beobank subsidiary.

AMOUNTS DUE TO CREDIT INSTITUTIONS

	12/31/2020	12/31/2019	Change	
Payables – on demand	**650,867**	**554,854**	**96,013**	**17.30%**
Current accounts	164,928	155,144	9,784	6.31%
Overnight deposits and borrowings	-	-	-	-
Crédit Mutuel network internal transactions	485,553	399,305	86,248	21.60%
Related debt	-	-	-	-
Other amounts due	386	405	-19	-4.69%
Term debt	**16,487,043**	**14,963,800**	**1,523,243**	**10.18%**
Term deposits and borrowings	659,117	716,387	-57,270	-7.99%
Crédit Mutuel network internal transactions	15,826,396	14,245,816	1,580,580	11.10%
Securities given under repurchase agreements	-	-	-	-
Securities given under repurchase agreements delivered	-	-	-	-
Related debt	1,530	1,597	-67	-4.20%
TOTAL	**17,137,910**	**15,518,654**	**1,619,256**	**10.43%**

Treasury transactions are mainly initiated with the network of local banks, with Caisse Fédérale providing centralized management to ensure:

- refinancing and aid granted to the network in accordance with the provisions of the group's internal financial regulations;
- mandatory repayments for passbook accounts (Livret Bleu, LEP and LDD);
- the refinancing of Caisse Centrale de Crédit Mutuel;
- cash management for the entire group.

The amount of private loans pledged as collateral to participate in the ECB's monetary policy operations amounted to €1,000.0 million.

Term loans consist mainly of outstandings borrowed from Banque Fédérative du Crédit Mutuel (BFCM) for an amount of €540.0 million, the financial terms of which are based on the TLTRO III.

Since September 2019, under the TLTRO III program, banks benefit from seven additional refinancing tranches, of a three-year maturity each and with a floating interest rate based on the periods.

The amount that Banque Fédérative du Crédit Mutuel (and consequently the Crédit Mutuel Nord Europe group) can borrow under TLTRO III is based on the percentage of outstanding loans granted to non-financial companies and households as of end-February 2019.

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

It corresponds to the ECB deposit facility rate (DFR) if the volume of loans between March 1, 2020 and March 31, 2021 is less stable. If not, the TLTRO III interest rate will range between the ECB main refinancing operations rate (MRO rate) and the ECB deposit facility rate (DFR), provided that the volume of loans during the period from April 1, 2019 and March 31, 2021 is stable or up. Otherwise it will correspond to the MRO rate.

During the health crisis, the ECB eased the conditions of these refinancing operations twice to support lending to households and corporates.

The borrowing capacity of banks were increased to 50% of eligible outstandings (compared to 30% previously) and the timeframe for exercising the repayment option was brought down to 12 months.

The TLTRO III interest rate was reduced by 50 bps (*i.e.* Additional bonus) from June 2020 to June 2021.

The effective interest rate for these operations is calculated based on the refinancing rate obtained by BFCM, which acts on behalf of the TLTRO group that includes several federations of Crédit Mutuel. Given the increase in outstandings and end-2020, the group is confident regarding the achievement of its loan performance targets set by the ECB for the period for March 1, 2020 to March 31, 2021.

As this is a floating deposit rate, the effective interest rate applied is determined for each reference period and changes from one period to another. Accordingly, it includes an additional 0.50% premium over the 12 months concerned by said premium.

NOTE 3 Customer transactions

CUSTOMER LOANS

	12/31/2020	12/31/2019	Change	
Commercial loans	**2,288**	**2,880**	**-592**	**-20.56%**
Discount and similar transactions	1,000	103	897	n.s.
Dailly law	1,272	2,777	-1,505	-54.20%
Securities not posted	-	-	-	-
Non-performing commercial loans	35	19	16	84.21%
• Impairment of non-performing commercial loans	-19	-19	-	-
Other customer receivables	**904,530**	**920,699**	**-16,169**	**-1.76%**
Export loans	-	-	-	-
Cash loans	248,363	279,325	-30,962	-11.08%
Equipment loans	472,778	465,256	7,522	1.62%
Home loans	1,771	2,166	-395	-18.24%
Other customer loans	111	111	-	-
Equity loans	-	-	-	-
Perpetual loans	150,000	150,001	-1	0.00%
Accrued interest	2,128	2,223	-95	-4.27%
Mortgage loans portfolio	-	-	-	-
Non-performing customer loans	44,423	37,772	6,651	17.61%
• Impairment of non-performing customer loans	-15,044	-16,155	1,111	-6.88%
Overdrawn current accounts	**32,807**	**72,651**	**-39,844**	**-54.84%**
Current accounts	30,131	71,060	-40,929	-57.60%
Accrued interest	-	-	-	-
Mortgage loans portfolio	2	2	-	-
Non-performing current accounts	10,603	8,272	2,331	28.18%
• Impairment of non-performing overdrawn current accounts	-7,929	-6,683	-1,246	18.64%
TOTAL	**939,625**	**996,230**	**-56,605**	**-5.68%**

The outstanding perpetual loans concern ACM Vie.

DEPOSITS FROM CUSTOMERS

	12/31/2020	12/31/2019	Change	
Special savings accounts	**2,202**	**2,144**	**58**	**2.71%**
Demand	*2,202*	*2,144*	*58*	*2.71%*
Ordinary passbook accounts	2,190	2,132	58	2.72%
Sustainable passbook accounts (LDD)	12	12	-	-
Term	-	-	-	-
Other special savings accounts	-	-	-	-
Other debt	**584,567**	**515,937**	**68,630**	**13.30%**
Demand	*536,398*	*449,966*	*86,432*	*19.21%*
Overdrawn current accounts	533,270	447,613	85,657	19.14%
Demand security deposits	1,731	916	815	88.97%
Other amounts due	1,397	1,437	-40	-2.78%
Related debt	-	-	-	-
Term	*48,169*	*65,971*	*-17,802*	*-26.98%*
Term accounts payable	48,089	65,817	-17,728	-26.94%
Related debt	80	154	-74	-48.05%
TOTAL	**586,769**	**518,081**	**68,688**	**13.26%**

In accordance with Article R.312-21 of the French Monetary and Financial Code, Caisse Fédérale du CMNE is responsible for relations with the *Caisse des dépôts et consignations*.

Number of accounts and amounts referred to in paragraph II of Article L.312-19 of the French Monetary and Financial Code: 23,469 accounts for €20,592,041.74.

Number of accounts and amounts referred to in Article L.312-20 of the French Monetary and Financial Code: 1,748 accounts for a deposit amount of €1,191,903.63 at *Caisse des dépôts et consignations*.

NOTE 4 Security trades

4 a Breakdown by type of portfolio

BONDS AND OTHER FIXED-INCOME SECURITIES

	12/31/2020	12/31/2019	Change	
Trading securities	**-**	**-**	**-**	**-**
Value of securities portfolio	-	-	-	-
Short-term investment securities	**1,192,743**	**1,732,406**	**-539,663**	**-31.15%**
Value of securities portfolio	1,198,963	1,733,367	-534,404	-30.83%
Doubtful receivables on bonds	-	-	-	-
Accrued interest	2,987	3,493	-506	-14.49%
• Impairment	-9,207	-4,454	-4,753	106.71%
Long-term investment securities	**79,476**	**186,148**	**-106,672**	**-57.30%**
Value of securities portfolio	79,476	186,031	-106,555	-57.28%
Doubtful receivables on bonds and FCC	-	-	-	
Accrued interest	-	117	-117	-100.00%
• Impairment	-	-	-	-
TOTAL	**1,272,219**	**1,918,554**	**-646,335**	**-33.69%**

SHARES AND OTHER VARIABLE INCOME SECURITIES

	12/31/2020	12/31/2019	Change	
Trading securities	**-**	**-**	**-**	**-**
Value of securities portfolio	-	-	-	-
Short-term investment securities	**468,983**	**226,998**	**241,985**	**106.60%**
Value of securities portfolio	491,237	243,518	247,719	101.73%
• Impairment	-23,558	-18,415	-5,143	27.93%
Accrued interest	1,304	1,895	-591	-31.19%
TOTAL	**468,983**	**226,998**	**241,985**	**106.60%**

4 b Breakdown of securities between listed and unlisted securities

BREAKDOWN OF PORTFOLIOS AT DECEMBER 31, 2020

	Listed securities	Non-listed securities	Total
BONDS AND OTHER FIXED-INCOME SECURITIES	926,867	345,352	1,272,219
Trading securities	-	-	-
Value of securities portfolio	-	-	-
Short-term investment securities	**926,867**	**265,876**	**1,192,743**
Value of securities portfolio	927,266	271,698	1,198,964
of which premium/discount	*3,168*	*-62*	*3,106*
Non-performing loans	0	0	-
Accrued interest	231	2,755	2,986
• Provisions	-630	-8,577	-9,207
Long-term investment securities	-	**79,476**	**79,476**
Value of securities portfolio	0	79,476	79,476
of which premium/discount	*0*	*-523*	*-523*
Non-performing loans	0	0	-
Accrued interest	0	0	-
• Provisions	0	0	-
SHARES AND OTHER VARIABLE INCOME SECURITIES	-	468,983	468,983
Trading securities	-	-	-
Value of securities portfolio	0	0	-
Short-term investment securities	-	**468,983**	**468,983**
Value of securities portfolio	0	491,237	491,237
Accrued interest	0	1,304	1,304
• Provisions	0	-23,558	-23,558

4 c Market value of securities portfolios

VALUATION AT DECEMBER 31, 2020

	Carrying amount	Market value	Unrealized gains	Capital losses (provisions)
Fixed-income securities	**1,272,219**	**1,287,714**	**24,700**	**9,205**
Bonds	1,025,866	1,040,656	23,366	8,576
NDI	40,183	40,183	0	-
FCT	41,176	41,384	837	629
BMTN	164,994	165,491	497	-
Variable-income short-term investment securities	**468,983**	**493,417**	**47,992**	**23,558**
UCITS – SCPI	467,679	-	49,296	23,558
OPCI (property investment mutual funds)	1,304	493,417	-1,304	-

4 d Other information

OTHER INFORMATION RELATING TO SECURITIES PORTFOLIOS

	12/31/2020	12/31/2019	Change
Amount of French and foreign capitalization UCITS	467,679	225,103	242,576
Unrealized capital gains on short-term investment securities	72,692	67,032	5,660
Unrealized gains on short-term investment securities subject to a provision	32,763	22,644	10,119

4 e Equity investments and other long-term securities and investments in subsidiaries and associates

EQUITY INVESTMENTS AND PORTFOLIO ACTIVITIES

	12/31/2020	12/31/2019	Change	
Holdings and other long-term investments				
Value of securities portfolio	20,661	15,765	4,896	31.06%
• Impairment	-478	-428	-50	11.68%
Investments in subsidiaries and associates				
Value of securities portfolio	2,335,855	2,321,819	14,036	0.60%
• Impairment	-1,827	-4,213	2,386	-56.63%
Merger loss on financial assets	48,554	49,509	-955	-1.93%
TOTAL	**2,402,765**	**2,382,452**	**20,313**	**0.85%**

The main changes are attributable to shareholders' certificates subscriptions to the Fonds de Garantie des Dépôts et Resolution, the payment of dividends in shares for the leasing entities, the contributions made for the REITs (Foncière et Immobilière Nord Europe and SCI Immobilière BCL) and the disposal of LFGI shares, as part of the simplified merger transaction.

Recognition since the 2017 fiscal year of the merger loss resulting from the transfer of all CMNE France's assets in 2007.

4 f Significant shareholdings

	Reference fiscal year	% ownership	Shareholders' equity excluding profit/(loss) *(in € thousands)*	Net value of shares	Last fiscal year's profit/(loss)
Euro-Information SAS	December 2020	10.15	1,434,058	4,116	395,298
GACM	December 2020	10.22	9,986,394	1,187,643	499,268
Nord Europe Partenariat	December 2020	99.67	7,030	6,111	-626
Groupe La Française	December 2020	99.81	312,674	399,074	19,125
NEPI	December 2020	100.00	17,118	15,245	2,720
Transactimmo	December 2020	100.00	362	395	58
Actéa Environnement	December 2020	100.00	702	696	-6
SCI Centre Gare	December 2020	25.60	12,769	3,179	1,627
SA Immobilière du CMN	December 2020	100.00	72,127	60,552	3,202
Beobank	December 2020	100.00	653,824	400,887	11,135
Foncière et immobilière Nord Europe	December 2020	100.00	49,547	50,000	24
Immobilière BCL Lille	December 2020	55.00	79,197	44,276	1,026
CMNE Grand Paris	December 2020	100.00	32	-	-3
Bail Actéa Immobilier	December 2020	100.00	53,132	49,241	2,698
Bail Actéa	December 2020	100.00	98,290	92,335	4,871

4 g Transactions with subsidiaries and associates *(in € thousands)*

ASSETS

Credit institutions, current accounts, loans and repayment accounts	
Crédit Mutuel banks	30,587,471
Bail Actea	1,279,583
Bail Actea Immobilier	219,089
Beobank	4,637
LDD loans	-
Bail Actea Immobilier	53,000
Loans to subsidiaries	-
Groupe La Française	94,000
SCI Centre Gare	2,482
GIE CMN Prestations	457
Customers, current accounts	-
Immobilière du CMN	7,190
Perpetual loans	-
Beobank	90,117

LIABILITIES

Credit institutions, current accounts, loans and repayment accounts	
Crédit Mutuel banks	30,587,471
Bail Actea	118,185
Bail Actéa Immobilier	17,825
Beobank	20,075
Customer deposits in current accounts	-
Actea Environnement	519
SCI Centre Gare	257
NEPI	8,360
Nord Europe Partenariat	5,769
SFINE Propriété à vie	1,897
Société Foncière et Immobilière Nord Europe	5,310
Immobilière BCL Lille	4,631
GIE CMN Prestations	511
La Française AM	1,085
La Française Real Estate Managers	6,911
New Alpha Asset Management	1,271
L'immobilière du CMN	140

OFF-BALANCE-SHEET

Commitments given	
SCI Centre Gare	1,200
Immobilière du CMN	22,810
Bail Actea	81,055
Beobank	4,450
Bail Actea Immobilier	19,752
Derivatives transactions	-
Beobank swaps	1,036,100
Bail Actea Immobilier Swaps	47,000

NOTE 5 Non-current assets

INTANGIBLE ASSETS

	12/31/2020	12/31/2019	Change	
Droit au bail (right to lease)	1,006	1,006	-	-
Goodwill – Other items	-	-	-	-
Loans and advances	-	5	-5	-100.00%
Software	4,293	4,271	22	0.52%
• Impairment provisions	-1,006	-1,006	-	-
• Depreciation and amortization	-4,185	-4,039	-146	3.61%
TOTAL	**108**	**237**	**-129**	**-54.43%**

PROPERTY, PLANT AND EQUIPMENT

	12/31/2020	12/31/2019	Change	
Fixed assets under construction	-	-	-	-
Operating assets	37,709	37,639	70	0.19%
Non-operating assets	7,849	7,849	-	-
• Impairment provisions	-	-	-	-
• Depreciation and amortization	-28,555	-26,599	-1,956	7.35%
TOTAL	**17,003**	**18,889**	**-1,886**	**-9.98%**

Operating properties (land, buildings and fixtures of a real estate nature) are mostly managed by real estate partnerships, which charge rent to the occupants.

CHANGES AFFECTING NON-CURRENT ASSETS

	12/31/2019	Acquisitions Allowances	Disposals/sales Reversals	Other movements	12/31/2020
Investments in subsidiaries and associates	**2,332,943**	**30,538**	**9,270**	**-**	**2,354,211**
Gross amount	2,337,584	31,688	12,756	-	2,356,516
Provisions	-4,641	-1,150	-3,486	-	-2,305
Net amount	2,332,943	30,538	9,270	-	2,354,211
Merger loss	49,509		955		48,554
Intangible assets	**238**	**-124**	**5**	**-**	**108**
Droit au bail (right to lease)					
Gross amount	1,006	-	-	-	1,006
Provisions	1,006	-	-	-	1,006
Net amount	-	-	-	-	-
Loans and advances	5	-	5	-	-
Software					
Gross amount	4,271	22	-	-	4,293
Depreciation, amortization and provisions	-4,039	-146	-	-	-4,185
Net amount	232	-124	-	-	108
Property, plant and equipment	**38,077**	**-1,813**	**73**	**-**	**31,809**
Land					
Gross amount	1,485	-	-	-	1,485
Depreciation and amortization	-	-	-		-
Net amount	1,485	-	-	-	1,485
Buildings					
Gross amount	31,171	536	392	-	31,315
Depreciation and amortization	-19,298	-1,678	-342	-7	-20,641
Net amount	11,873	-1,142	50	-7	10,674
Equipment, tools and fittings					
Gross amount	12,832	379	453	-	12,758
Depreciation and amortization	-7,301	-1,050	-430	7	-7,914
Net amount	5,531	-671	23	7	4,844

NOTE 6 Other assets, other liabilities and accruals

OTHER ASSETS

	12/31/2020	12/31/2019	Change	
Guarantee deposits paid	181,058	126,537	54,521	43.09%
Other miscellaneous debtors	31,809	38,077	-6,268	-16.46%
Inventories and similar accounts	333	-	333	n.s.
TOTAL	**213,200**	**164,614**	**48,586**	**29.52%**

OTHER LIABILITIES

	12/31/2020	12/31/2019	Change	
Sundry creditors – security deposits received	130,593	134,680	-4,087	-3.03%
TOTAL	**130,593**	**134,680**	**-4,087**	**-3.03%**

The change in guarantee deposits concerns margin calls on collateral.

ACCRUALS

	12/31/2020	12/31/2019	Change	
Collection accounts	4,922	8,722	-3800	-43.57%
Values to be rejected	-	-	-	-
Currency adjustment accounts	322	12	310	n.s.
Adjustment accounts for forward financial instruments	111.027	8,297	102,730	n.s.
Expenses to be distributed	3,373	3,886	-513	-13.20%
Prepaid expenses	158	278	-120	-43.17%
Accrued income	11,215	11.065	150	1.36%
Other accruals	56,226	62,314	-6.088	-9.77%
TOTAL	**187,243**	**94,574**	**92,669**	**97.99%**

ACCRUALS

	12/31/2020	12/31/2019	Change	
Adjustment accounts for forward financial instruments	118,373	12,348	106,025	n.s.
Deferred income	12,054	635	11,419	n.s.
Accrued expenses	19,589	42,174	-22,585	-53.55%
Other accruals	43,773	36,462	7,311	20.05%
TOTAL	**193,789**	**91,619**	**102,170**	**111.52%**

A large part of accruals represent interbank clearing amounts.

NOTE 7 Debt securities

	12/31/2020	12/31/2019	Change	
Certificates of deposit	**-**	**-**	**-**	**-**
Deposit and savings certificates	-	-	-	-
Related debt	-	-	-	-
Interbank market securities	**1,293,031**	**1,830,998**	**-537,967**	**-29.38%**
Interbank market securities	660,000	645,000	15,000	2.33%
Negotiable debt instruments	625,000	1,175,000	-550,000	-46.81%
Related debt	8,031	10,998	-2,967	-26.98%
Bonds	**768,699**	**958,432**	**-189,733**	**-19.80%**
Borrowings	763,503	953,064	-189,561	-19.89%
Related debt	5,196	5,368	-172	-3.20%
TOTAL	**2,061,730**	**2,789,430**	**-727,700**	**-26.09%**

Interbank certificates consist of debt taken out with Caisse de Refinancement à l'Habitat.

NOTE 8 Provisions for risks and charges and contingent liabilities

	12/31/2020	12/31/2019	Change	
Provisions for commitments upon signature	1,211	611	600	98.20%
Provisions for customer loans	5,178	5,439	-261	-4.80%
Provisions for specific risks	2,271	2,168	103	4.75%
Provision for income tax (tax consolidation)	3,230	3,230	-	-
Provisions for general risks	1,088	1,093	-5	-0.46%
Provisions for interest and similar expenses – Term deposits gradual rate	219	223	-4	-1.79%
TOTAL	**13,197**	**12,764**	**433**	**3.39%**

NOTE 9 Subordinated debt

	12/31/2020	12/31/2019	Change	
TSS	150,000	150,000	-	-
Participating loans	-	-	-	-
Redeemable subordinated notes	661,600	661,600	-	-
Related debt	6,477	6,520	-43	-0.66%
TOTAL	**818,077**	**818,120**	**-43**	**-0.01%**

CHARACTERISTICS OF SUBORDINATED DEBT

	Currency	Amount	Rate
Redeemable subordinated notes 04/10/24		5,000	4.00
Redeemable subordinated notes 06/03/24		7000	3.15
Redeemable subordinated notes 07/29/24		2000	CMS10+130
Redeemable subordinated notes 08/06/24		12,100	3.10
Redeemable subordinated notes 09/03/24		3,000	3.10
Redeemable subordinated notes 10/15/24		5,000	3.00
Redeemable subordinated notes 10/15/24		3,500	3.00
Redeemable subordinated notes 11/28/24		4,000	2.60
Redeemable subordinated notes 04/02/25		3,000	1.80
Redeemable subordinated notes 04/02/25		22,000	1.90
Redeemable subordinated notes 06/02/25		30,000	1.35
Redeemable subordinated notes 06/27/26	EUR	120,000	4.25
Redeemable subordinated notes 12/09/26		300,000	2.13
Redeemable subordinated notes 12/22/26		55,000	3.40
Redeemable subordinated notes 04/27/27		40,000	2.75
Redeemable subordinated notes 12/23/30		50,000	EURIB6+1.78
TSSDI	EUR	150,000	CMS10 cap 8

NOTE 10 Fund for general banking risks

	12/31/2020	12/31/2019	Change	
Fund for general banking risks	10,000	10,000	-	-
Accumulation fund	-	-	-	-
TOTAL	**10,000**	**10,000**	**-**	**-**

NOTE 11 Equity

11 a Share capital, issue premiums and reserves

SUBSCRIBED CAPITAL

	12/31/2020	12/31/2019	Change	
Shares held by Crédit Mutuel (without remuneration)	385,722	372,545	13,177	3.54%
TOTAL	**385,722**	**372,545**	**13,177**	**3.54%**

RESERVES

	12/31/2020	12/31/2019	Change	
Legal reserve	37,255	35,288	1,967	5.57%
Statutory reserves	1,041,874	820,254	221,620	27.02%
Other reserves	39,622	39,622	-	-
TOTAL	**1,118,751**	**895,164**	**223,587**	**24.98%**

11 b Change in equity

	12/31/2019	Increase	Decrease	Restatement	12/31/2020
Capital	372,545	13,177			385,722
Merger premium	-			-	-
Legal reserve	35,288	1,967		-	37,255
Statutory reserves	820,254	221,620			1,041,874
Other reserves	39,622			-	39,622

11 c Proposed appropriation of net profit

Net profit amounted to €7,747,335.78, the proposed allocation of which is as follows:

- legal reserve: €387,366.79;
- statutory reserves: €7,359,968.99.

NOTE 12 Change in provisions

	12/31/2019	Allowances	Reversals	Other movements	12/31/2020
Impairment of assets					
Non-performing customer loans	22,857	4,776	4,641	-	22,992
Short-term investment securities	22,869	10,016	120	-	32,765
Long-term investment securities	-	-	-	-	-
Equity investments	4,641	1,154	3,490	-	2,305
Provisions for liabilities					
Signed commitments	611	829	229	-	1,211
Provisions for customer loans	5,439	3,387	3,648	-	5,178
Special risks (long-service award)	2,168	103	-	-	2,271
Provisions for income tax (tax consolidation)	3,230	-	-	-	3,230
Provisions for general risks	1,093		5	-	1,088
Provisions for Int. and similar expenses – Term deposits gradual rate	223	68	72	-	219
Provisions for the Fund for general banking risks	10,000	-	-	-	10,000

NOTE 13 Maturities schedule of main receivables and payables

	Less than three months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Accounts and loans/Credit institutions	887,910	1,982,086	10,927,098	2380,428	16,177,522
Customer loans	196,369	204,750	200,725	300,559	902,402
Security trades	78,265	309,676	804,263	77,027	1,269,232
Deposits and borrowings/Credit notes	918,026	2,497,113	13,061,377	8,997	16,485,513
Term deposits payable (customers)	2,149	7,970	37,971	-	48,089
Interbank market securities	17000	43,000	323,000	277,000	660,000
Negotiable debt instruments	443,000	182,000	-	-	625,000
Subordinated term debt	-	-	-	150,000	150,000
Redeemable Subordinated Notes	-	-	96,600	565,000	661,600

6.8.4.3.2 Off-balance sheet and similar transactions

There were no transactions other than those reported in the financial statements.

NOTE 14 Financing commitments

FINANCING COMMITMENTS GIVEN TO CREDIT INSTITUTIONS

	12/31/2020	12/31/2019	Change	
Refinancing agreements	33,000	32,250	750	2.33%
Confirmed lines of credits	10,000	15,000	-5,000	-33.33%
Other commitments	-	-	-	-
TOTAL	**43,000**	**47,250**	**-4,250**	**-8.99%**

FINANCING COMMITMENTS GIVEN TO CUSTOMERS

	12/31/2020	12/31/2019	Change	
Confirmed documentary credits	2,956	3,488	-533	-15.27%
Confirmed lines of credits	134,916	160,621	-25,704	-16.00%
Agreements or commitments to pay	686	887	-201	-22.68%
Other commitments	-	400	-400	-100.00%
TOTAL	**138,558**	**165,396**	**-26,838**	**-16.23%**

Pension commitments with no corresponding provisions booked in the balance sheet amounted to €53,821,000 (€57,775,000 in 2019).

FINANCING COMMITMENTS RECEIVED

	12/31/2020	12/31/2019	Change	
Commitments received from credit institutions	-	640,715	-640,715	-100.00%
Commitments received from customers	-	-	-	-
TOTAL	**-**	**640,715**	**-640,715**	**-100.00%**

The amount recognized in 2019 corresponded to financing commitments received from Banque de France following the repurchase agreement.

NOTE 15 Guarantee commitments

GUARANTEE COMMITMENTS TO CREDIT INSTITUTIONS

	12/31/2020	12/31/2019	Change	
Other credit institution guarantee commitments	29,320	30,793	-1,473	-4.78%
TOTAL	**29,320**	**30,793**	**-1,473**	**-4.78%**

GUARANTEE COMMITMENTS TO CUSTOMERS

	12/31/2020	12/31/2019	Change	
Loan repayment guarantees	28,206	36,293	-8,087	-22.28%
of which administrative and tax guarantees	*15,118*	*15,445*	*-327*	*-2.12%*
of which real estate guarantees	*7,865*	*15,286*	*-7,422*	*-48.55%*
of which financial guarantees	*5,224*	*5,561*	*-338*	*-6.07%*
Guaranteed bonds	3	3	-	-
Holders repurchase commitment	13,612	25,090	-11,478	-45.75%
Other customer guarantee commitments	267,026	505,041	-238,015	-47.13%
TOTAL	**308,847**	**566,427**	**-257,580**	**-45.47%**

The change in the line "Other customer guarantees" relates to the commitment given to La Française Bank as well as the remaining payments due on UCITS and "OPCI" (property investment mutual funds).

GUARANTEE COMMITMENTS RECEIVED FROM CREDIT INSTITUTIONS

	12/31/2020	12/31/2019	Change	
Sureties, endorsements and other guarantees received	8,051	9,484	-1,433	-15.11%
TOTAL	**8,051**	**9,484**	**-1,433**	**-15.11%**

GUARANTEE COMMITMENTS RECEIVED FROM CUSTOMERS

	12/31/2020	12/31/2019	Change	
Sureties, endorsements and other guarantees received from customers	789,013	864,994	-75,981	-8.78%
Guarantees received from public administration and similar	77,951	2,598	75,354	n.s.
TOTAL	**866,964**	**867,592**	**-628**	**-0.07%**

NOTE 16 Transactions on forward financial instruments

16 a Commitments on forward financial instruments

FORWARD FINANCIAL INSTRUMENTS

	12/31/2020	12/31/2019	Change	
Firm transactions	**7,085,207**	**6,618,041**	**467,166**	**7.06%**
Transactions on organized markets	-	-	-	-
Option purchases	-	-	-	-
Over-the-counter transactions	7,085,207	6,618,041	467,166	7.06%
Interest rate swaps	*7,085,207*	*6,618,041*	*467,166*	*7.06%*
Microhedges	*5,960,207*	*5,218,041*	*742,166*	*14.22%*
Macrohedges	*1,125,000*	*1,400,000*	*-275,000*	*-19.64%*
Open positions	-	-	-	-

16 b Residual term of commitments on forward financial instruments

BREAKDOWN OF FINANCIAL INSTRUMENTS ACCORDING TO THEIR RESIDUAL MATURITY

	Less than one year	1 to 5 years	Over 5 years
Microhedges	721,951	3,011,626	2,226,630
Macrohedges	0	765,000	360,000
TOTAL	**721,951**	**3,776,626**	**2,586,630**

16 c Fair value of forward financial instruments

The fair value of forward financial instruments is estimated at -€37,155,000 (compared to -€2,430,000 in 2019).

6.8.4.3.3 Income statement

NOTE 17 Interest income and expense

17 a With credit institutions

INTEREST AND SIMILAR INCOME FROM TRANSACTIONS WITH CREDIT INSTITUTIONS

	12/31/2020	12/31/2019	Change	
Interest on central banks and CCP	-	-	-	-
Interest on overdrawn current accounts	219	312	-93	-29.81%
Interest on overnight deposits and loans	-	-	-	-
Interest on term deposits and borrowings	23,010	25,281	-2,271	-8.98%
Interest on Crédit Mutuel internal accounts	137,372	155,363	-17,991	-11.58%
Interest on financial hedging instruments	74,579	66,092	8,487	12.84%
Interest on subordinated term loans	73	77	-4	-5.19%
Interest income from securities under repurchase agreements	-	-469	469	-100.00%
Interest income from perpetual loans	1,775	1,806	-31	-1.72%
Other interest income	25	41	-16	-39.02%
TOTAL	**237,053**	**248,503**	**-11,450**	**-4.61%**

INTEREST AND SIMILAR EXPENSES FROM TRANSACTIONS WITH CREDIT INSTITUTIONS

	12/31/2020	12/31/2019	Change	
Interest on central banks and CCP	-	-	-	-
Interest on ordinary customer deposits	-827	-713	-114	15.99%
Interest on deposits and loans	3,477	-2,780	6,257	-225.07%
Interest on securities given under repurchase agreements	642	3,190	-2,548	-79.87%
Interest on Crédit Mutuel internal accounts	-157,936	-181,020	23,084	-12.75%
Interest on financial hedging instruments	-71,489	-78,929	7,440	-9.43%
Other interest expenses	-229	-	-229	n.s.
Interest on securities given under repurchase agreements delivered	-	-330	330	-100.00%
TOTAL	**-226,362**	**-260,582**	**34,220**	**-13.13%**

17 b With customers

INTEREST AND SIMILAR INCOME ON CUSTOMER TRANSACTIONS

	12/31/2020	12/31/2019	Change	
Interest on commercial and customer loans	10,254	12,061	-1,807	-14.98%
Interest on overdrawn current accounts	302	560	-258	-46.07%
Interest on non-performing loans	482	419	63	15.04%
Interest on participating loans	-	-	-	-
Income from financing commitments	543	520	23	4.42%
Income from guarantee commitments	1,118	1,278	-160	-12.52%
Interest on financial hedging instruments	-13	26	-39	-150.00%
Provisions for impairment/interest on non-performing loans	-29	-44	15	-34.09%
Loan losses	-158	-	-158	n.s.
Reversals of provisions for impairment/interest on non-performing loans	213	37	176	n.s.
Interest income from perpetual loans	5,691	5,675	16	0.28%
TOTAL	**18,403**	**20,532**	**-2,129**	**-10.37%**

INTEREST AND SIMILAR EXPENSES ON CUSTOMER TRANSACTIONS

	12/31/2020	12/31/2019	Change	
Interest on ordinary customer deposits	-	-	-	-
Interest on special savings accounts	-4	-8	4	-50.00%
Interest on term deposits payable	-	-2	2	-100.00%
Interest on financial hedging instruments	-736	-	-736	n.s.
Expenses on customer guarantee commitments	-10	-6	-4	66.67%
Expenses on participating loans	-	-	-	-
Provisions for Int. and similar expenses – Term deposits gradual rate	-206	-287	81	-28.22%
Provision for interest and expenses on mortgage saving agreements	-	-	-	-
TOTAL	**-956**	**-303**	**-653**	**215.51%**

17 c On bonds and other fixed-income securities

INTEREST AND SIMILAR INCOME ON BONDS AND FIXED-INCOME SECURITIES

	12/31/2020	12/31/2019	Change	
Short-term investment securities	8,893	12,604	-3,711	-29.44%
- Premium spread *(expenses)*	-2	-12	10	-83.33%
+ Discount spread *(income)*	84	-	84	n.s.
Long-term investment securities	658	959	-301	-31.39%
- Premium spread *(expenses)*	-	-	-	-
+ Discount spread *(income)*	445	492	-47	-9.55%
Other interest and similar income	-51	2	-53	n.s.
TOTAL	**10,027**	**14,045**	**-4,018**	**-28.61%**

INTEREST AND SIMILAR EXPENSES ON BONDS AND FIXED-INCOME SECURITIES

	12/31/2020	12/31/2019	Change	
Interest on deposit and savings certificates	-	-6	6	-100.00%
Interest on interbank certificates	-15,737	-20,755	5,018	-24.18%
Interest on negotiable debt securities	2,074	2,051	23	1.12%
Interest on bonds	-48,387	-52,137	3,750	-7.19%
Other expenses on debt securities	-1,127	-3,599	2,472	-68.69%
Interest on TSDI	-146	-1,116	970	-86.92%
TOTAL	**-63,323**	**-75,562**	**12,239**	**-16.20%**

17 d Other interest, income and similar expenses

OTHER INTEREST AND SIMILAR INCOME

	12/31/2020	12/31/2019	Change	
Income from debt securities (spreading of CRH issue premium)	111	330	-219	-66.36%
Other income from securities transactions (micro and macro-hedging swaps)	9,592	1,383	8,209	n.s.
TOTAL	**9,703**	**1,713**	**7,990**	**466.43%**

NOTE 18 Income from variable income securities

	12/31/2020	12/31/2019	Change	
Dividends and similar income from equity investments	42,056	231,269	-189,213	-81.82%
Dividends and similar income from short-term investment securities	5,055	8,661	-3,606	-41.63%
TOTAL	**47,111**	**239,930**	**-192,819**	**-80.36%**

No dividend distribution by the Crédit Mutuel groupement des Assurances in 2020.

NOTE 19 Commission income and expense

FEE AND COMMISSION INCOME

	12/31/2020	12/31/2019	Change	
Commissions on cash-flow and interbank transactions	2,336	2,426	-90	-3.71%
Commissions on transactions with customers	3,019	2,834	185	6.53%
Commissions from securities transactions	921	13	908	n.s.
Commissions on foreign exchange transactions	27	28	-1	-3.57%
Income from financial services	9,893	35,117	-25,224	-71.83%
Commissions on guarantee commitments	33	-	33	n.s.
TOTAL	**16,229**	**40,418**	**-24,189**	**-59.85%**

FEE AND COMMISSION EXPENSE

	12/31/2020	12/31/2019	Change	
Commissions on cash-flow and interbank transactions	-1,145	-28,402	27,257	-95.97%
Commissions on transactions with customers	-199	-219	20	-9.13%
Commissions on securities transactions	-4,454	-61	-4,393	n.s.
Expenses on financial services	-8,248	-7,392	-856	11.58%
TOTAL	**-14,046**	**-36,074**	**22,028**	**-61.06%**

NOTE 20 Gains and losses on trading portfolio

	12/31/2020	12/31/2019	Change	
Gains or losses on trading securities	**1,435**	**-**	**1,435**	**n.s.**
Gains on trading securities	8,145	-	8,145	n.s.
Losses on trading securities	-6,710	-	-6,710	n.s.
Gains or losses on currency transactions	**31**	**155**	**-124**	**-80.00%**
Gains on foreign exchange and arbitrage transactions	72	324	-252	-77.78%
Losses on foreign exchange and arbitrage transactions	-41	-169	128	-75.74%
Gains or losses on financial instruments	**871**	**-11**	**882**	**n.s.**
Income from other forward financial instruments	-	38	-38	-100.00%
Expenses on interest rate swaps	871	-	871	n.s.
Expenses on other forward financial instruments	-	-49	49	-100.00%
TOTAL	**2,337**	**144**	**2,193**	**N.S.**

NOTE 21 Gains and losses on investment portfolio

	12/31/2020	12/31/2019	Change	
Capital gains and reversals on impairment losses	**421**	**15,697**	**-15,276**	**-97.32%**
Capital gains on sales of short-term investment securities	301	6,132	-5,831	-95.09%
Reversals of impairment losses on short-term investment securities	120	9,565	-9,445	-98.75%
Capital losses and provisions for impairment losses	**-10,577**	**-2,749**	**-7,828**	**284.76%**
Capital losses on sales of short-term investment securities	-561	-2,257	1,696	-75.14%
Allowances of provisions for impairment on short-term investment securities	-10,016	-492	-9,524	n.s.
TOTAL	**-10,156**	**12,948**	**-23,104**	**-178.44%**

NOTE 22 Other banking income and expenses

OTHER BANKING OPERATING INCOME

	12/31/2020	12/31/2019	Change	
Other income	2,003	1,374	629	45.78%
Financial contribution from customers	2,354	2,249	105	4.67%
Accessory income	490	535	-45	-8.41%
TOTAL	**4,847**	**4,158**	**689**	**16.57%**

OTHER BANKING OPERATING EXPENSES

	12/31/2020	12/31/2019	Change	
Other expenses	-454	-418	-36	8.61%
Depreciation and amortization of non-operating assets	-141	-141	-	-
Net provisions	5	3	2	66.67%
TOTAL	**-590**	**-556**	**-34**	**6.12%**

NOTE 23 General operating expenses

	12/31/2020	12/31/2019	Change	
Employee benefits expense	**-106,375**	**-120,087**	**13,712**	**-11.42%**
Wages and salaries	-114,984	-116,438	1,454	-1.25%
Social security contributions	-55,568	-60,393	4,825	-7.99%
Employee profit-sharing and incentive schemes	-9,034	-28,267	19,233	-68.04%
Payroll-based taxes	-17,557	-19,636	2,079	-10.59%
Group company reinvoicing	90,768	104,647	-13,879	-13.26%
Other administrative expenses	**71,833**	**86,887**	**-15,054**	**-17.33%**
Taxes and duties	-4,693	-6,002	1,309	-21.81%
External services	-53,760	-66,331	12,571	-18.95%
Transport and travel	-1,477	-2,525	1,048	-41.50%
Other external services	-30,248	-32,333	2,085	-6.45%
Group company and other reinvoicing	162,011	194,078	-32.067	-16.52%
TOTAL	**-34,542**	**-33,200**	**-1,342**	**4.04%**

For 2019 and 2020, the amounts shown in the tables below include the compensation paid by Caisse Fédérale du CMNE and all of the group's subsidiaries.

AMOUNTS DUE

	12/31/2020	12/31/2019
Members of management bodies	1,092	1,134

NOTE 24 Depreciation, amortization and impairment of non-current assets

	12/31/2020	12/31/2019	Change	
Depreciation of property, plant and equipment	-2,588	-2,700	112	-4.15%
Amortization of intangible assets	-147	-136	-11	8.09%
TOTAL	**-2,735**	**-2,836**	**101**	**-3.56%**

NOTE 25 Cost of risk

	12/31/2020	12/31/2019	Change	
Reversals of provisions and recovery of receivables	**8,523**	**8,258**	**265**	**3.21%**
Reversals of write-down on non-performing loans	8,136	7,782	354	4.55%
Reversals of other impairments	-	-	-	-
Reversals of provisions for bank risks and charges	341	429	-88	-20.51%
Recovery of written-off debts	46	47	-1	-2.13%
Provisions and loan loss	**-10,736**	**-12,030**	**1,294**	**-10.76%**
Allowances for write-down of non-performing loans	-4,746	-7,414	2,668	-35.99%
Allowances for other impairment losses – guarantee commitment	-	-	-	-
Other provisions for bank contingencies and charges	-4,216	-4,499	283	-6.29%
Loan losses covered by provisions	-1,464	-104	-1,360	n.s.
Loan losses not covered by provisions	-310	-13	-297	n.s.
TOTAL	**-2,213**	**-3,772**	**1,559**	**N.S.**

NOTE 26 Gains or losses on non-current assets

	12/31/2020	12/31/2019	Change	
Capital gains on property, plant and equipment and intangible assets	1	11	-10	-90.91%
Capital gains on non-current financial assets	7,079	45,041	-37,962	-84.28%
Reversals of impairment on non-current financial assets	2,113	55	2,058	n.s.
Capital losses on property, plant and equipment and intangible assets	-985	-1,143	158	-13.82%
Capital losses on non-current financial assets	-	-95	95	-100.00%
Provisions for impairment of non-current financial assets	-1,154	-219	-935	n.s.
TOTAL	**7,054**	**43,650**	**-36,596**	**-83.84%**

Capital gains on GLF shares (+€6.7 million), net effect from the reversals of provisions for LFGI (+€2.0 million) and CMNE Grand Paris provision allowance (-€1.1 million).

The capital gains on GLF shares (+€6.0 million) and the merger gain on CMNE Belgium (+€38.5 million) had an impact on the previous fiscal year.

NOTE 27 Non-recurring income

NON-RECURRING INCOME

	12/31/2020	12/31/2019	Change	
Other non-recurring income	-1	-	-1	n.s.
TOTAL	**-1**	**-**	**-1**	**N.S.**

NON-RECURRING EXPENSES

	12/31/2020	12/31/2019	Change	
Offsetting contribution	-74	-5,315	5,241	
Subsidy paid to CCMs	-254	-374	120	-32.09%
TOTAL	**-328**	**-5,689**	**5,361**	**-94.23%**

NOTE 28 Income tax

	12/31/2020	12/31/2019	Change	
Corporate income tax	10,235	14,166	-3,931	-27.75%
Allowance for tax consolidation		1,954	-1,954	-100.00%
TOTAL	**10,235**	**16,120**	**-5,885**	**-36.51%**

Caisse Fédérale's taxable income for the year was a loss of -€37.7 million (-€50.6 million in 2019). Calculated as part of the tax consolidation, tax income for the year amounted to +€10.2 million.

NOTE 29 FRBG additions and reversals

	12/31/2020	12/31/2019	Change	
Guarantee fund for general banking risks	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**

6.8.4.4 Other information

6.8.4.4.1 Workforce

Caisse Fédérale du Crédit Mutuel Nord Europe is responsible for all staff employed in Crédit Mutuel Nord Europe group's federal network and services.

The headcount in "full-time equivalent on open-ended contracts" stood at 2,338.7 at December 31, 2020, corresponding to a registered workforce of 2,411 employees.

By category, the workforce on open-ended contracts breaks down as follows:

- technical staff: 1,517;
- managers: 894.

As of December 31, the workforce registered and currently working breaks down as follows:

- open-ended contracts: 2,411;
- fixed-term contracts: 122;
- total: 2,533.

6.8.4.4.2 Compensation allocated to members of the administrative bodies

No compensation is paid to members of the board of directors except for the Chairman.

6.8.4.4.3 Segment information

The purpose of segment information is to break down the income statement line-item totals by business line and geographic area in which operations are conducted.

Crédit Mutuel Nord Europe is a retail bank whose role is to coordinate of a network of 137 local branches located in seven departments in the north of France.

Since the bank has only one business line in a single specific geographic area, such details are not provided.

More specifically, Caisse Fédérale acts as a credit institution for its affiliated banks and ensures compliance with management standards designed to guarantee their liquidity and solvency with regard to depositors, members, and more generally third parties, and that their financial structure is well-balanced.

In addition, it is also responsible for managing shared support functions in connection with their operations such as administrative, technical and commercial services.

All the terms and conditions governing such operations are described in the Financial Regulations adopted by the board of directors.

6.8.4.4.4 Management report

In accordance with ANC Regulation 2014-07, the management report of Caisse Fédérale du Crédit Mutuel Nord Europe is made available to the public at: 4, place Richebé in Lille 59000, France.

6.9 MANAGEMENT REPORT OF CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE

To the shareholders,

The main purpose of this ordinary shareholders' meeting, in accordance with the articles of association and the provisions of the French Commercial Code, is to report to you on the company's activity during the fiscal year ended December 31, 2020, the results of this activity and outlook and submit for your approval the balance sheet and the annual financial statements for the fiscal year. These financial statements are included in this report.

The notices required by law have been sent to you accordingly and all the documents and information required by applicable regulations have been made available to you within the legal timeframe.

Your statutory auditors will provide the information regarding the compliance of the annual financial statements presented to you in their reports.

The list below provides the various regulatory information.

Key events of the year

Health crisis

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 which may experience difficulties, particularly VSEs/SMEs.

The group has adhered to the relief plan initiated by the French State. It offers State-guaranteed loans to provide cash flow support to its corporate and professional customers.

At December 31, 2020, State-guaranteed loans granted by Caisse Fédérale (corporate business centers) amounted to €93.8 million.

Simplified merger of La Française Global Investments and Caisse Fédérale du CMNE

With a view to simplifying and streamlining Groupe CMNE's legal entities, governance and cash flows, the board of directors of Caisse Fédérale and the management board of La Française Global Investments finalized a joint agreement on the terms and conditions governing the simplified merger of La Française Global Investments and la Caisse Fédérale du CMNE.

For tax and accounting purposes, this transaction took place with a retroactive effect on January 1, 2020.

Position and activity of the company during the past fiscal year

The activities of the Crédit Mutuel Nord Europe group are organized into divisions by business line and by type of market reporting directly to Caisse Fédérale du Crédit Mutuel Nord Europe.

In addition to its role as consolidating entity of the French bankinsurance network and as a result of the simplification and streamlining of its legal entities, Caisse Fédérale now owns the following two holding companies:

- Beobank for operations conducted in Belgium; and
- the La Française group, dedicated to third-party management.

Caisse Fédérale also holds a 10.22% stake in Groupe des Assurances du Crédit Mutuel (GACM).

It also includes real estate companies, namely:

- SA l'Immobilière du CMN, in charge of professional real estate operations;
- SA NEPI, responsible for managing mortgage loans and non-operating real estate assets;
- Foncières and Immobilière Nord Europe whose role is to finance real estate operations conducted by the network, and in particular "lifetime ownership".

Caisse Fédérale also acts as a bank for the entire Crédit Mutuel Nord Europe group by managing in particular cash operations on capital markets.

For the French Bankinsurance division, which is made up of a network of 137 local branches and eight corporate business centers, it centralizes the savings deposits and ensures their refinancing. It also ensures compliance with financial control standards aimed at ensuring their liquidity and solvency with regard to depositors, members and, more generally, third parties, and that their financial structure is well-balanced.

In addition, it is also responsible for managing shared support functions in connection with their operations such as administrative, technical and commercial services.

As such, it employs the staff seconded to its affiliated banks.

Events after the reporting date

The Chairmen of Fédération du Crédit Mutuel Nord Europe's local banks, at the extraordinary shareholders' meeting of January 15, 2021, approved the principle of joining Crédit Mutuel Alliance Fédérale.

This vote had no effect on the financial statement for the year ended December 31, 2020.

Financial activity

The management of the group's refinancing is centralized at Caisse Fédérale du Crédit Mutuel Nord Europe.

Transactions carried out by the financial activities department include effective and prudent cash management, balance sheet risk hedging and investment transactions. They are structured as follows:

- on the one hand, medium-and long-term refinancing transactions designed to preserve the net interest margin based on financial information concerning interest rate risk and liquidity risk analyzed by the finance committees of each group entity;
- on the other hand, proprietary trading carried out by Caisse Fédérale or Beobank.

These transactions fall into two groups:

- investments in liquid assets that meet regulatory liquidity requirements;
- investments in structured or illiquid bonds or in securities and real estate securities. These investments are determined by the finance committee.

Structural management transactions on the balance sheet, as well as proprietary trading, come under the tight control of the group's finance committee and are the subject of individual reports that are then merged to measure liquidity risk.

With regard to counterparty risk, the limits per counterparty are set and revised, at least twice a year, by the group finance committee on the proposal of the risk management department. the methodology used to define the limits is based on the internal rating of counterparties, defined by Confédération Nationale du Crédit Mutuel and approved by the Basel Authorities. For banking counterparties, additional constraints based on capital and counterparty refinancing limits are also taken into consideration.

In addition, the type of subscribers of debt securities issued by CMNE is monitored to measure the concentration risk for the group's main lenders.

Market risk involves all transactions carried out by the finance department as part of its own operations, or through specific third-party management by the La Française group; these transactions are carried out within a specific framework defined by the group finance committee and are subject to monthly reporting.

CMNE measures liquidity risk with two time scales:

- over the long term, by applying the country-wide provisions of the Crédit Mutuel group, aimed at regulating the transformation of liquidity. 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 95% over a horizon of between three months and five years. Measured every quarter, it is regularly higher than 100% over the entire period in question;
- in the very short term, by calculating the regulatory liquidity coverage ratio (LCR) at one month which must be higher than an alert threshold of 110% according to CMNE's risk appetite policy. As of December 31, 2020, it stood at 161%.

In terms of refinancing, Caisse Fédérale du CMNE has three programs to issue short-term negotiable securities (NEU CP), medium-term negotiable securities (programs approved by Banque de France) and bonds (program authorized the *Autorité des marchés financiers* (AMF – French Financial Markets Authority)).

The measurement of interest rate risk, aimed at protecting the future margin resulting from the various activities of the banking scope and the economic value of the balance sheet is analyzed for each company subject to this risk, by a specific finance committee on a quarterly basis.

In particular, the committee of each company may decide to:

- set up hedges in the event of exposure to interest rate risk;
- the implementation of actions in the event of exposure to liquidity risk. In this respect, the liquidity requirements of leasing entities are subject to a monthly review, in addition to the financial committee review, to be covered by financial transactions.

CMNE group measures interest rate risk by assessing the sensitivity of the net interest margin (NMI) and the sensitivity of the net present value (NPV), which, for the latter, enables to measure the overall interest rate risk within the meaning of the Order of November 3, 2014 and the Basel regulations.

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 European Banking Authority.

Finance and accounting control procedures

Basis

- Chart of accounts, regulatory texts and procedure manuals.
- General operating regulations.
- Financial Regulations.
- Group financial management agreement.

The deputy chief executive officer in charge of group Finance is responsible for:

- the accounting and tax department, which in particular:
  - collaborates in the implementation of the general accounting procedures and system and ensures their application,
  - organizes and monitors the accounts of financial institutions and companies falling within its remit,
  - organizes the work specific to the year-end closes and the preparation of interim financial statements,
  - is responsible CMNE group's tax matters,
  - designs and implements the procedures necessary to improve the security of the group's accounting book entries and audit of its financial statements,
  - proposes the necessary adjustments or new rules to be included in the Financial Regulations or in the specific contracts governing relations between the various group companies,
  - is responsible for relations with the internal and external control bodies;
- the group consolidation and reporting function, which:
  - organizes and coordinates work between the various parties involved and carries out the work specific to the preparation of the consolidated financial statements and the prudential reporting required for the group,
  - complies with the requirements, tests and procedures set by the ECB as part of crisis prevention, in conjunction with the other divisions and departments of the group and the National Confederation,
  - defines and updates the consolidation procedures used by the group, in line with those defined by the National Confederation,
  - in the context of regulatory obligations, analyzes, monitors and comments on the various ratios and ensures the implementation of the new rules in relation to the functions involved,
  - assists in the implementation of the general accounting procedures and system, in line with regulatory requirements,
  - is responsible for relations with the internal and external control bodies,
  - develops the periodic analysis for prudential ratios, comments on any changes and presents prospective simulations for the finance committee in order to optimize these constraints,
  - measures and analyzes the financial impacts and risks of strategic companies on the consolidated profit/(loss);
- the operational financial control department, which in particular:
  - regularly reports to Executive Management on the business activity and financial results of the CMNE group's France Bankinsurance Network,
  - provides to the various levels of the CMNE group organization all information on budget control and a performance review, thereby enabling them to help improve the group's results, in particular when attending technical committees (business and performance improvement),
  - submits amendments to the Financial Regulations and updates the rules governing relations between group companies,
  - designs and makes available to CMNE group staff the dashboards required by operational managers,
  - ensures all financial control operations and specific training for the various group bodies,
  - produces and monitors profitability analyzes by product, market, customer, etc.,
  - is responsible for relations with the internal and external control bodies;
- the financial performance and ALM department, which:
  - produces and designs the dashboards, indicators, ratios, management reports, profit forecasts for the group entities (actual/forecasted revenue, product margins, commission monitoring, MTP budget, etc.) made available to Executive Management and/or other internal clients,
  - establishes consolidated forecasts and prudential ratios as part of Stress Tests, STE, ICAAP procedures in conjunction with the other group divisions and departments and the Confédération Nationale,
  - analyzes the data and proposes improvements, recommendations and advice within its area of expertise,
  - conducts special research (product profitability, market, etc.) and issues recommendations, including external benchmarks (confederation or market),

- advises internal contacts and responds to various external requests (confederation, inspectorate, statutory auditors, supervisory bodies, etc.),
- measures and manages interest rate risk and liquidity risk (confederation reports in accordance with ECB/EBA requirements: BCBS, survival horizon, STE IRRB, ECB stress test, preparation of CMNE and Beobank group committees),
- is actively involved in the selection process of financial transactions,
- carries out any study necessary for decision-making process of the finance committee: hedging of loans, sales and marketing policy, etc.,
- participates/contributes to national WGs: liquidity, modeling, methodology and production/coordination of the Beobank modeling WG;

- the financial activities department, which in particular:
  - ensures the refinancing of CMNE group by raising liquidity on the financial markets,
  - manages the liquidity reserve of CMNE group,
  - monitors CFCMNE's proprietary investments decided by the finance committee,
  - sets up balance sheet hedging transactions for the CMNE group banking entities,
  - manages the available liquidity of the group's banking entities as well as the collateral available for market transactions and required for intra-day liquidity management,
  - coordinates projects related to capital market activities,
  - participates/contributes to national WGs: liquidity and interest rates.

Accounting and financial control system

For first-level controls, the accounting department has the means to ensure the quality of the data produced or transmitted for all of its tasks. For second-level controls, the permanent control department monitors the quality of first-level controls and carries out additional controls.

The "short-term investment" and "long-term investment" portfolios

As of December 31, the gross value of the securities portfolio amounted to €1,963.7 million compared to €2,361.4 million at the end of 2019, *i.e.* a decrease of €397.7 million. Investments are adjusted in line with regulatory requirements, in particular with regard to the LCR. The downturn in financial markets due to the health crisis obliged Caisse Fédérale to record a net provision of -€23.1 million, compared with a net reversal of +€9.0 million at the end of 2019. Provisions for the securities portfolio amounted to €32.8 million at December 31, 2020 (€22.9 million at the end of 2019).

In addition, disposals recorded during the year generated a net capital loss of -€0.3 million compared to a net capital gain of +€3.9 million in 2019.

The equity investment portfolio

Equity investments and investments in associates totaled €2,356.5 million covered by a provision of €2.3 million (compared with €2,337.6 million and €4.6 million respectively at the end of 2019).

The main changes during the year concern in particular:

- the disposal of LFGI shares for (-€11.8 million) following the simplified merger;
- the acquisition of investment securities in the *Fonds de garantie des dépôts et résolutions* for (+€4.9 million);
- the dividend subscriptions in shares to leasing entities for (+€11.0 million);
- the contribution to Foncière et Immobilière Nord Europe for (+€8.0 million);
- the contribution to SCI Immobilière BCL for (+€6.0 million).

Equity investments in the banking and financial sector now concern:

- Beobank: €400.9 million (100.0%);
- La Française group: €399.0 million (99.9%) – Holding company dedicated to the Asset Management division;
- NEPI: €15.2 million (100%) – Holding company holding the other investments, mainly in real estate;
- Caisse Centrale de Crédit Mutuel: €20.2 million (13.1%).

Investments in the insurance sector now concern Groupement des Assurances du Crédit Mutuel (GACM) for an amount of €1,187.7 million (10.2%).

Investments in the real estate sector are mainly held by SA Immobilière du CMN (€60.6 million), which manages the buildings intended for professional use, by SA Actea Environnement (€1.0 million), SCI Centre Gare (€3.2 million for a 25.6% stake), Société Foncière Immobilière Nord Europe (€42.0 million), wholly owned, SCI Immobilière BCL for €44.3 million (55%-owned) and CMNE Grand Paris wholly owned (€1.0 million).

The provisions set aside for the equity investment portfolio now amount to €2.3 million after reversal of the provision for LFGI for +€3.4 million and the provision for CMNE Grand Paris for -€1.0 million.

Customer activity

Customer activity is essentially managed by the local branches and the Corporate Business Centers of Caisse Fédérale du CMNE. Outstanding customer deposits amounted to €586.8 million (€518.0 million in 2019) and consisted of current accounts and term deposits of the corporate banking center customers.

As of December 31, outstanding customer receivables amounted to €939.6 million compared to €996.2 million in 2019; this item includes, in addition to customer loans, outstandings from overdrawn current accounts, amortizable loans, and participating loans granted to group companies.

Commercial loans (including SGLs) granted by the business centers amounted to €207.0 million in the 2020 fiscal year (€116.5 million in 2019), of which €93.8 million in State-guaranteed loans (SGLs).

In accordance with the operating regulations applicable to the group, Caisse Fédérale also ensures:

- financing of signature commitments;
- loans to public authorities;
- in addition to the financing granted by the local banks, to enable them to comply with the coverage and risk mitigation ratios.

Equity

Caisse Fédérale's equity (excluding profit or loss) amounted to €1,504.4 million compared to €1,267.7 million at the end of 2019. The change is due to the appropriation of earnings from the 2019 fiscal year (+€223.6 million) and the capital increase subscribed by the local banks (+€13.1 million).

The profit recorded at December 31, 2020 in the amount of €7.7 million will be entirely allocated to reserves.

Composition of profit

NBI is mainly impacted by:

- the conditions of the cash transactions initiated by Caisse Fédérale for central cash management operations for the entire group; these conditions, which are often in connection with market conditions, are governed by the agreements in force or by the Financial Regulations for relations with local banks.

  In 2020, the change in interest rates combined with loan repayments improved the financial margin by +€36.2 million. This positive change enabled to offset the decrease in commissions (-€2.2 million) and the provision booked for the portfolio (-€9.9 million). The fiscal year ended with disposals from the investment portfolio which generated a net capital loss of (€0.3 million) compared to a net capital gain of +€3.9 million in 2019;
- income from variable-income securities, which mainly consists of dividends received on equity investments.

	2020 Dividends *(in € millions)*
Groupe La Française	19.7
Bail Actea	7.0
Bail Actea Immobilier	4.0
Nord Europe Partenariat	3.5
Immobilière du CMN	3.0
Caisse Centrale CM	1.3
SCI Immobilière BCL	1.2
SCI Centre Gare	1.0
NEPI	0.7

Several distributions from REITs and high risk mutual funds also generated income of +€5.0 million (compared to +€8.7 million in 2019).

The general operating expenses are presented net of the employee benefits expense and shared expenses charged to local banks, and of the expenses reinvoiced to group companies.

These amounted to -€37.3 million compared to -€36.0 million for the 2019 fiscal year.

After updating the projected provisions, and taking into account a sectoral provision following the health crisis, the cost of risk in 2020 stood at -€2.2 million.

Gains on non-current assets stem mainly from the capital gains recorded on the disposal of La Française group shares for +€6.7 million compared to +€6.0 million in 2019, the reversal of provision following the simplified merger of La Française Global Investments (+€2.0 million) and the provision for CMNE Grand Paris for -€1.0 million.

Non-recurring income: Caisse Fédérale made very little contribution to the offsetting of the results of the local banks and continued to subsidize "banks experiencing difficulties" in the amount of -€0.2 million as well as the solidarity fund for -€0.2 million.

Furthermore, the premium relating to the consumer loans budget granted to local banks amounted to -€0.2 million.

Income tax: Caisse Fédérale's taxable income for 2020 was a loss of -€37.7 million. Calculated as part of the tax consolidation, the tax calculated for the year came to +€10.2 million compared to +€16.1 million in 2019. During the year, Caisse Fédérale benefited from tax reliefs following its claim under the provisions of "Article 13" in the amount of +€ 1.6 million.

Accordingly, profit for the fiscal year was €7.7 million compared with €223.6 million in 2019.

Appropriation of earnings

We propose to allocate the profit for the year of €7,747,335.78 as follows:

- legal reserve: €387,366.79;
- statutory or other reserves: €7,359,968.99.

The table of the company's results over the last five fiscal years is shown in Appendix 1.

Information on payment terms

In accordance with applicable regulations, the breakdown of trade payables by maturity date at the end of the fiscal year is provided below.

In € thousands	0 days	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 including tax	-	18	6	3	4	31
Total amount of invoices concerned including tax	989.70	49.20	17.40	13.80	6.00	86.40
Percentage of revenue including tax for the fiscal year	The % of past due invoices received but not settled at the year-end date is lower than 3% of total purchases for the year incl. tax					
B – Invoices excluded from A involving disputed or unrecognized payables						
Number of invoices excluded	-	-	-	-	-	-
Total amount of invoices excluded	-	-	-	-	-	-
C – Terms of payment of reference used (Article L.441 6 or Article L.443 1 of the French Commercial Code)						
Payment deadlines used to calculate arrears	Contractual deadlines: 60 days from invoice date					

Information on customer payment terms is not relevant with regard to the banking activities of Caisse Fédérale du CMNE.

Future outlook

In 2021, Caisse Fédérale du CMNE will continue to act as a bank for the entire CMNE group; as a holding company, it will use its financing or refinancing resources to ensure the development of its various activities in an economic and financial environment that remains uncertain.

Board of directors

Chairman

Olivier Oger

Appendix 1 Table of the company's results over the last five fiscal years

Nature of information	2016 Fiscal year	2017 Fiscal year	2018 Fiscal year	2019 Fiscal year	2020 fiscal year
I. Capital at the balance sheet date					
Share capital	325,970	334,348	352,877	372,545	385,722
II. Transactions and profit/loss for the fiscal year					
Net banking income	97,131	75,798	37,724	209,314	30,277
Profit/(loss) before tax, employee share ownership and allocations to depreciation, amortization and provisions	65,788	44,829	-4,234	176,114	-4,265
Corporate income tax	-13,119	3,455	31,144	16,120	10,235
Employee share ownership due pursuant to the fiscal year	92	20	0	0	94
Profit/(loss) after tax, employee share ownership and allocations to depreciation, amortization and provisions	71,561	140,524	239,841	223,587	7,747
Distributed profit	0	0	0	0	0
III. Statutory interest allocated to each equity share	**0**	**0**	**0**	**0**	**0**
IV. Staff					
Average workforce employed during the fiscal year	2,705	2,552	2,527	2,501	2,440
Amount of the payroll expense for the fiscal year	178,134	178,611	179,489	182,733	176,154
Amount of sums paid for social benefits (Social Security, Social Services, etc.)	19.026	18,946	19,101	19,875	18,885

Statutory auditors' report on the annual financial statements

Fiscal year ending December 31, 2020

To the shareholders' meeting of Caisse Fédérale 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, 2020.

We certify that the annual financial statements are, with regard to French accounting principles and rules, a fair presentation and give a true image of the profit or loss of the past fiscal year and the financial position and assets of the company at the end of this year.

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.

The responsibilities incumbent upon us pursuant to these standards are expressed in the section "Responsibilities of statutory auditors relating to the audit of the annual financial statements" in this report.

Independence

We accomplished our auditing mission in accordance with the applicable rules of independence, during the period from January 1, 2020 to the date our report was issued, and in particular, we did not provide any services prohibited by Article 5, paragraph 1, of the (EU) Regulation No. 537/2014 or by the professional code of conduct of statutory auditors.

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 2020 included reviews of compliance with certain regulations and reviews of tax returns;
- Mazars: the main assignments carried out during 2020 concerned reviews of compliance with certain regulations and the report of the independent third party on the consolidated declaration of non-financial performance included in the management report.

Justification of the assessment – Key points of the audit

The global crisis linked to the COVID-19 pandemic creates special conditions for the preparation and audit of the financial statements for this financial year. As such, this crisis and the exceptional measures taken as part of the health state of emergency have affected companies in many ways, particularly their business, financing and gave rise to increased uncertainty regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and on the way audits are carried out.

It is in this complex and evolving context that, 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 annual financial statements for the year, as well as our response in the face of these risks.

The assessments made in this way fall within the scope of the audit of the annual financial statements taken as a whole, approved under the conditions referred to above, and the formation of our opinion as expressed above. We do not express an opinion on isolated items of the annual financial statements.

CREDIT RISK – IMPAIRMENT OF CUSTOMER LOANS AND RECEIVABLES

Identified risk	Our response
Caisse Fédérale du Crédit Mutuel Nord Europe is exposed to credit risks. As of December 31, 2020, as mentioned in note 3 to the financial statements, total provisions for outstanding loans amounted to €23 million for gross outstanding customer loans and receivables of €963 million (including a loan subject to separate provision of €55.1 million). Credit risk arises from the inability of Caisse Fédérale du Crédit Mutuel Nord Europe's customers to meet their financial commitments. To this end, your institution books impairment provisions intended to cover this risk, by assessing the risk of losses. These impairment provisions may take the form of individual provisions for the loans and off-balance sheet commitments in question or collective provisions for loan portfolios with similar risks and which are not subject to individual impairment provisions. As such, outstanding loans with a proven counterparty risk are subject to individual impairment provisions. Such impairment provisions are assessed on a case-by-case basis, by an expert, taking into account the effect of the guarantees. They are equal to the projected losses for non-performing receivables or irrevocable non-performing receivables. Projected losses are equal to the difference between the initial contractual flows (less flows already collected) and the projected flows. In addition, your Bank books collective provisions whose estimation methods are based on models developed by Confédération Nationale du Crédit Mutuel. The COVID-19 epidemic resulted in a health and economic crisis, thereby affecting the solvency of borrowers, with mixed impacts from one geographic area to another and also from one business sector to another. To address this crisis, governmental measures, specific to each country were rolled out (short-time working, State-guaranteed loans, moratoriums, etc.). In this context marked by significant uncertainty related to the evolving context of the pandemic and by the absence of a comparable historical situation, the methods used to calculate collective provisions have required a certain number of adjustments as specified in the note II.4.4. These impairment provisions for expected losses are supplemented by sectoral provisions. We have taken the view that the identification and measurement of credit risk is a key audit matter for the 2020 fiscal year due the context linked to the COVID-19 pandemic, 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 determination of the parameters and procedures for calculating collective impairment provisions, as well as in the assessment of the level of individual provisioning of outstanding loans with proven risks.	**Individual impairment provisions for non-performing loans and disputes** As part of our overall audit procedures, we examined the control system relating to the identification of exposures, 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 basis. Accordingly, our work consisted mainly of: • carrying out control tests on the system for monitoring sensitive counterparties and counterparties that are non-performing or in dispute; and of the credit review process and the guarantee valuation system; • in addition, on a sample of loans selected on materiality and risk criteria, we conducted counter-analysis of the provision amounts. **Collective provisions** Our work consisted mainly of: • verifying 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 of the Crédit Mutuel group internal auditors who, in collaboration with their experts and specialists: – verified that the group has a governance in place that reviews, frequently enough, the relevance of the impairment models and the parameters used to calculate impairment provisions, – carried out controls on the change in policies and adjustments made to the methods used to calculate impairment provisions for expected credit losses as part of the crisis due to the CODVID-19 pandemic, – assessed the relevance of these parameters used to calculate the impairment provisions as of December 31, 2020, – carried out counter-calculations on the main loan portfolios, – reviewed the standard options and the methods used to calculate sectoral provisions.

Specific verifications

In accordance with the professional standards applicable in France, we also made the specific legal and regulatory checks.

Information provided in the management report and in other documents on the financial position and the annual financial statements addressed to shareholders

We have no comments to make on the fairness and consistency with the annual financial statements of the information given in the management report from the board of directors and in the other documents sent to shareholders on the financial position and the annual financial statements, other than the point mentioned below.

We have the following remark to make on the fairness and consistency with the annual financial statements of the information relating to the payment terms mentioned in Article D.441-4 of the French Commercial Code: as indicated in the management report, this information does not include banking and related transactions, as your company considers these are not within the scope of information to produce.

Corporate governance report

We certify the existence, in the board of directors' report on corporate governance, of the information required by Articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

Information resulting from legal or regulatory requirements

Format of the annual financial statements intended to be included in the annual financial report

In accordance with paragraph III of Article 222-3 of the AMF General Regulation, the management of your company informed us that it has decided postpone the application of the single electronic information format as defined by Delegated European Regulation 2019/815 of December 17, 2018 to the financial years beginning on or after January 1, 2021. As a result, this report does not include a conclusion on compliance with this format for the presentation of the annual financial statements intended to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code.

Designation of statutory auditors

We were appointed as statutory auditors of Fédération du Caisse Fédérale du Crédit Mutuel Nord Europe by the shareholders' meeting of May 11, 2007 in the case of Deloitte & Associés, and of May 30, 2012 in the case of Mazars.

At December 31, 2020, Deloitte & Associés was in the fourteenth consecutive year of its term of office and Mazars was in its ninth 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 Caisse Fédérale 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 Caisse Fédérale du Crédit Mutuel Nord Europe from 1994 to 2011.

Responsibilities of management and persons comprising the corporate governance as regards the annual financial statements

It is the responsibility of management to prepare annual financial statements presenting a true and fair view, in accordance with French accounting rules and principles, as well as to implement the internal controls that it deems necessary for the preparation of annual financial statements without material misstatements, whether due to fraud or are the result of errors.

During the preparation of the annual financial statements, it is management's responsibility to assess the company's ability to continue as a going concern, and as the case may be, the necessary information with regard to business continuity and to apply the standard accounting policy for a going concern, unless it expects to liquidate the company or cease doing business.

The 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 annual financial statements were approved by the board of directors.

Responsibilities of the statutory auditors relating to the audit of the annual financial statements

Audit objectives and approach

It is our responsibility to prepare a report on the annual financial statements. Our goal is to receive reasonable assurance that the annual financial statements taken as a whole do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards may systematically detect every material misstatement. Misstatements may come from fraud or result from errors and are considered significant when one can reasonable expect that they may, either individually or cumulatively, influence economic decisions made by users who make decisions based on the financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, our assignment of certification of financial statements does not consist of guaranteeing the viability or quality of your company's management.

In the context of an audit completed in accordance with professional standards applicable in France, the statutory auditor exercises its professional judgment throughout the audit process. Furthermore:

- it identifies and assesses the risks that the annual financial statements contain material misstatements, whether they are due to fraud or result from errors, defines and implements audit procedures faced with these risks and gathers items that it believes are sufficient and appropriate on which to base its 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 accounting estimates made by management, as well as information concerning estimates provided in the annual financial statements;
- it assesses the appropriateness of application by management of the accounting policy for a going concern and, depending on the items gathered, the existence or not of any significant uncertainty related to events or circumstances likely to call into question the company's ability to continue as a going concern. This assessment relies on the elements collected up to the date of the report; however, with a reminder that subsequent circumstances or events could call into question the going concern. If it concludes that significant uncertainty exists, it draws the attention of readers of its report to the information provided in the annual financial statements concerning this uncertainty or, if this information is not provided or is not relevant, expresses reservations about certification or refuses to certify them;
- it assesses the overall presentation of the annual financial statements and assesses whether the annual financial statements reflect the underlying transactions and events in a manner that presents a true and fair view.

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 annual 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 conduct. Where relevant, we discuss with the audit committee any risks to our independence and the safeguards applied.

Courbevoie and Paris-La Défense, April 13, 2021

The statutory auditors

Mazars
Anne VEAUTE

Deloitte & Associés
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.

Lille, April 16, 2021

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 articles of association 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 2020, Caisse Fédérale du Crédit Mutuel Nord Europe published three documents containing financial information:

- in April 2020, the annual report for 2019;
- in May 2020, the financial memoranda required by the Banque de France for issuers of short-term (NEU CP) and medium-term negotiable debt securities;
- in August 2020, interim financial information as of June 30.

7.2.1.5 Calendar of financial publications

Schedule (subject to change)	
2020 annual results	May 2021
Interim results	August 2021

7.3 ORDINARY SHAREHOLDERS' MEETING OF MAY 19, 2021

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 2020 in both their form and their content, which show surplus income of €4,189.32.

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.612-5 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, 2020 and falling within the scope of the provisions of Article L.612-5 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, 2020, 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, 2020, as presented.

Fifth resolution

(2021 budget)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, sets the Federation's budget for 2021 at €3,637 thousand. The share of contributions of each member local bank is set at 0.0144% of the average amount of managed funds.

Sixth resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the term of office Ms. Sabine Ducrocq has expired.

On the recommendation of the appointments committee, the shareholders' meeting resolves to re-elect Ms. Sabine Ducrocq for a period of three years, *i.e.* until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2023:

Ms. Sabine Ducrocq declares that she accepts her appointment.

Seventh resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for Ordinary shareholders' meetings, duly notes that the term of office Mr. Philippe Cacaux has expired.

On the recommendation of the appointments committee, the shareholders' meeting resolves to re-elect Mr. Philippe Cacaux for a period of three years, *i.e.* until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2023:

Mr. Philippe Cacaux declares that he accepts his appointment.

Eighth resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the term of office Mr. Michel Hedin has expired.

Pursuant to the provisions of the articles of association, the shareholders' meeting duly notes that the term of office of Mr. Hedin cannot be renewed and decides not to replace him.

Ninth resolution

(Reappointment of the statutory auditors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the terms of office of the principal statutory auditor and alternate statutory auditors have expired, and decides to reappoint for a period of six years, *i.e.* until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2026, MAZARS, represented by Ms. Veaute, as principal statutory auditor.

Ms. Veaute declares that she accepts her appointment.

As currently permitted by law and our articles of association, the shareholders' meeting decides not to appoint an alternate statutory auditor.

Tenth 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 shareholders' meeting to carry out all publications and formalities required by law and regulations.

7.4 ORDINARY SHAREHOLDERS' MEETING OF MAY 19, 2021

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

First resolution

(Approval of the 2020 annual 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, 2020 as presented to it, as well as the transactions reflected therein or referred to in those reports.

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 €7,747,335.78 for the year ended December 31, 2020 as follows:

Legal reserve	€387,366.79
Ordinary reserves	€7,358,968.99

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 €372,545,250 at the end of 2019, stood at €385,721,700 at December 31, 2020.

Fifth resolution

(Vote on the components of the compensation 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' compensation in the corporate governance report, issues a favorable opinion on the components of compensation due or awarded to Éric Charpentier, chief executive officer for fiscal year 2020.

Sixth resolution

(Vote on the components of the compensation 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' compensation in the corporate governance report, issues a favorable opinion on the components of compensation due or awarded to Christian Nobili, chief operating officer for fiscal year 2020.

Seventh resolution

(Vote on the components of the compensation 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' compensation in the corporate governance report, issues a favorable opinion on the components of compensation due or awarded to Olivier Oger, Chairman of the board of directors for fiscal year 2020.

Eighth resolution

(Vote on the principles and criteria for determining the components of compensation of the chief executives officer)

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' compensation in the corporate governance report, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind, presented in the aforementioned report and attributable by virtue of his appointment, to Éric Charpentier, chief executive officer.

Ninth resolution

(Vote on the principles and criteria for determining the components of compensation of 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 key executives' compensation in the corporate governance report, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind, presented in the aforementioned report and attributable by virtue of his appointment, to Christian Nobili, chief operating officer.

Tenth resolution

Vote on the principles and criteria for determining the components of compensation of 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' compensation in the corporate governance report, approves the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind, presented in the aforementioned report and attributable by virtue of his appointment, to Olivier Oger.

Eleventh resolution

(Advisory vote on the total amount of compensation of all kinds paid during 2020 to the effective managers and to certain categories of staff by Caisse Fédérale)

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 compensation of all kinds, which stands at €4,539,874 paid during the past year to 46 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 compensation, is in the same compensation bracket, and whose professional activities have a material impact on the risk profile of the company or the group.

Twelfth resolution

(Advisory vote on the total amount of compensation of all kinds paid during 2020 to the effective managers and to certain categories of staff of the CMNE group scope)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, issues a favorable opinion on the total amount of compensation of all kinds, which stands at €17,899,661 paid during the past year to 105 employees, namely the members of board of directors, 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 compensation, is in the same compensation bracket, and whose professional activities have a material impact on the risk profile of the group's scope.

Thirteenth 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 2021.

This budget may be used in whole or in part, as approved by the board of directors.

Fourteenth resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the term of office Ms. Sabine Ducrocq has expired.

On the recommendation of the appointments committee, the shareholders' meeting resolves to re-elect Ms. Sabine Ducrocq for a period of three years, *i.e.* until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2023:

Ms. Sabine Ducrocq declares that she accepts her appointment.

Fifteenth resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the term of office Ms. Véronique Host has expired.

On the recommendation of the appointments committee, the shareholders' meeting resolves to re-elect Véronique Host for a period of three years, *i.e.* until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2023:

Ms. Véronique Host declares that she accepts her appointment.

Sixteenth resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the term of office Mr. Philippe Cacaux has expired.

On the recommendation of the appointments committee, the shareholders' meeting resolves to re-elect Philippe Cacaux for a period of three years, *i.e.* until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2023:

Mr. Philippe Cacaux declares that he accepts his appointment.

Seventeenth resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the term of office Mr. Damien Pelletier has expired.

On the recommendation of the appointments committee, the shareholders' meeting resolves to re-elect Damien Pelletier for a period of three years, *i.e.* until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2023:

Mr. Damien Pelletier declares that he accepts his appointment.

Eighteenth resolution

(Reappointment of directors)

The shareholders' meeting, voting in accordance with the quorum and majority requirements for ordinary shareholders' meetings, duly notes that the term of office Mr. Michel HEDIN HAS expired.

Pursuant to the provisions of the articles of association, the shareholders' meeting duly notes that the term of office of Mr. Hedin cannot be renewed and decides not to replace him.

Nineteenth 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 shareholders' meeting to carry out all publications and formalities required by law and regulations.

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7.6 CONTACT DETAILS OF GROUP COMPANIES

BANKINSURANCE DIVISION

FRENCH 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: **Olivier Oger**
- Chief executive officer: **Éric Charpentier**
- Chief operating officer: **Christian Nobili**

Bail Actea

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-François Veno**

Bail Actea 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-François Veno**

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**

Belgian network

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

Groupe La Française

128 Boulevard Raspail – 75006 Paris (France)

Tel: +33 (0)1 73 00 73 00

Website: *www.la-francaise.com*

- Chairman of the supervisory board: **Olivier Oger**
- Chairman of the executive board: **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: **Patrick Rivière**
- 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: **Patrick Rivière**
- Chairman of the executive board: **Philippe Depoux**
- Chief executive officers: **Marc-Olivier Penin** and **David Rendall**

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**

Inflection Point By La Française

78 Brook Street – London W1K 5EF (United Kingdom)

Website: *www.la-francaise.com*

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