ANNUAL REPORT 2020

CRÉDIT LOGEMENT

A MESSAGE FROM THE EXECUTIVE MANAGEMENT TEAM

2020 will be remembered for quite some time.

Crédit Logement was quick to respond to the disruption caused by the public health crisis and ensure the continuity and quality of our services for banks, by introducing measures that enabled 98% of our staff to work from home from the very first day of the lockdown in March. We also immediately introduced simplified processes for payment deferrals in particular and worked with our partners to find the best solutions to their more specific requests.

Adaptability, agility, flexibility and expertise were the operative words in 2020, thanks to the efforts of all Crédit Logement staff.

We pushed ahead and successfully introduced a series of initiatives geared towards our partner banks and their borrowers, such as:

- A guarantee covering a new *bail réel solidaire* (ground lease system for social housing) home ownership mechanism

- The optimisation of electronic data exchanges with our partners to facilitate data transmission and speed up decision-making

Naturally, Crédit Logement also continued to provide its expert second opinion on loan applications, a service that was sorely needed during the period, compounded by the implementation of the HCSF's (French high council for financial stability) recommendations.

Ultimately, with €98 billion in guarantee agreements issued, 2020 was an entirely respectable year. While nowhere near the exceptional level of €127 billion recorded in 2019, this is a far cry from some observers' initial projections of a market collapse and ultimately not far off the €106 billion registered in 2018.

In the end, the sudden halt to economic activity in March, followed by fluctuating concerns among retail customers, prompted first by the HCSF limitations and then by the constant shifts in the public health crisis, did nothing to hinder the resilient momentum of the real estate market.

Banks broadly supported demand by adapting their lending conditions as much as possible (low interest rates, longer loan terms) and Crédit Logement played a part in this effort by helping them to contain their level of risk while supporting the recovery.

This meant that outstanding loans under guarantee were able to continue to grow over the year, nearing €390 billion by the end of 2020.

What about 2021?

Like all market operators, Crédit Logement has considered several scenarios, some more upbeat than others, depending on how the macroeconomic indicators evolve, bearing in mind that these indicators are themselves largely dependent on how the public health crisis evolves.

The first months of the year point to sturdy demand, picking up pace in March and nudging the levels seen in the very good months of 2019. However, we would be ill-advised to state with any certainty that this will be a sustained trend, especially in light of the fresh uncertainties that are looming.

Defaults on outstanding loans will inevitably rise with the foreseeable increase in unemployment and business bankruptcies. However, the vast amounts of state aid that have been provided will delay this phenomenon and limit its magnitude.

Crédit Logement will remain true to its mission of supporting banks and continuing to develop and facilitate access to home ownership for as many people as possible.

BOARD OF DIRECTORS

Olivier BÉLORGEY,
Chairman
Deputy Chief Executive Officer at Credit Agricole CIB
Chief Financial Officer, Head of Treasury
Cash Manager ans Group Funding
Yves MARTRENCHAR,
Honorary Chairman.

BNP PARIBAS,
represented by Stanislas de MALHERBE,
Group Strategic Sourcing Outsourcing and Shoring Director

LCL – LE CRÉDIT LYONNAIS,
represented by Grégory ERPHELIN,
Director of Finance, Legal Affairs,
Purchases, Loans Acceptance, and Recovery

SOCIÉTÉ GÉNÉRALE,
represented by Marianne AUVRAY-MAGNIN,
Head of Market Relations and Regulations.

CAISSE CENTRALE DU CRÉDIT MUTUEL,
(Crédit Mutuel – CIC Group) represented by Sophie OLIVIER
Head of Markets and Studies
and Publics Affairs
Confédération Nationale du Crédit Mutuel.

BPCE,
represented by Sylvain PETIT
Head of Strategy.

CRÉDIT FONCIER DE FRANCE,
represented by Eric FILLIAT**,**
Chief Executive Officer.

SF2 - Groupe LA BANQUE POSTALE,
represented by Delphine de CHAISEMARTIN,
Head of Public Affairs and Corporate
and Financial Communication.

HSBC Continental Europe,
represented by Axelle MAGNIER*,
Head of Improvement and Customer
Experience and Day to Day Banking.

Mrs Brigitte GEFFARD,
Head of Loans Acceptance at
LCL, Le Crédit Lyonnais.

Mr Nicolas DRAUX
Head of Retail Banking France at
BNP Paribas.

Mrs Martine LASSÈGUES
Deputy Head of the Customer, Distribution, Marketing and French retail banking at
Société Générale.

* Successor of Vincent de PALMA

STATUTORY AUDITORS

C.T.F.,
represented by Christophe LEGUÉ.

Deloitte & Associés,
represented by Marjorie BLANC LOURME

Share capital at December 31, 2020

Private limited company with a share capital amouting to 1 259 850 270 euros
with 17 997 861 shares worth 70 euros each

SHAREHOLDERS	NUMBERS OF SHARES	TOTAL AMOUNT	%
BNP Paribas	**2 969 699**	**207 878 930**	**16,5003%**
Crédit Agricole	**2 879 547**	**201 568 290**	**15,9994%**
LCL - Le Crédit Lyonnais	**2 969 594**	**207 871 580**	**16,4997%**
Société Générale / Crédit du Nord	**2 970 599**	**207 941 930**	**16,5053%**
Crédit Mutuel / CIC	**1 799 788**	**125 985 160**	**10,0000%**
Groupe BPCE	**1 530 063**	**107 104 410**	**8,5014%**
Crédit Foncier de France	**1 258 022**	**88 061 540**	**6,9898%**
SF2 - Groupe La Banque Postale	**1 079 944**	**75 596 080**	**6,0004%**
HSBC Continental Europe	**539 806**	**37 786 420**	**2,9993%**
Other loans institutions	**530**	**37 100**	**0,0029%**
Physical persons	**269**	**18 830**	**0,0015%**
TOTAL	**17 997 861**	**1 259 850 270**	**100,0000%**

EXECUTIVE MANAGEMENT

Jean-Marc VILON
Chief Executive Officer

Patrick LEPESCHEUX
Deputy Chief Executive Officer
Head of Production

Éric VEYRENT
Deputy Chief Executive Officer
Head of Administration and Finance

Éric EHRLER
Head of Human Resources

Bernard FENDT
Head of Risk

Franck FRADET
Head of Collection

Philippe LAINÉ
Head of Customer Relations

Catherine LANVARIO
Head of Communication

Michel LAVERNHE
Head of Information Systems

Claire de MONTESQUIOU
Head of Audit and Internal Control

Jean-François ROUSSEL
Head of Organization

KEY FIGURES AT DECEMBER 31, 2020

REGULATORY CAPITAL
8,3 billion euros

MUTUAL GUARANTEE FUNDS
6,4 billion euros

GROSS ANNUAL PRODUCTION
98,3 billion euros
459 006 loans
for 405 167 transactions

OUTSTANDING GUARANTEE
390,4 billion euros
3 428 013 loans

WORKFORCE
330 employees

LONG-TERM RATING
Moody’s: Aa3 stable
DBRS : AA low stable

CRÉDIT LOGEMENT: A REPUTABLE NAME IN THE FINANCING OF HOUSING

Crédit Logement is a "*société de financement*" (financial institution) that is overseen by the French prudential supervisory and resolution authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR).

As a specialist in guaranties for property loans catering for banks and their customers for over 40 years, Crédit Logement arranges guaranties in the form of surety bonds for residential property loans granted to retail customers.

The Crédit Logement financial guarantee is based on the principle of the mutualisation of risk, with each borrower contributing to a mutual guarantee fund (the *Fonds Mutuel de Garantie* - FMG).

In the French residential property market, nearly 58% of loans are covered by financial guaranties and less than 40% by mortgages.

Crédit Logement works with all French banks and guarantees one in every three property loans, making it a key player in the financing of residential housing.

CRÉDIT LOGEMENT'S SOLUTIONS

Guarantee

As soon as a bank signs a partnership agreement, it benefits from the expertise of Crédit Logement's risk analysis specialists.

Confirmation of a guarantee is given within 48 hours, and may even be given on a real time basis thanks to Crédit Logement's online services and its specialist risk analysis system.

Debt collection

In addition to arranging guaranties to fully cover the risk of loss, an assurance that physical collateral cannot provide, Crédit Logement also manages the collection of unpaid loan instalments at no added cost. It therefore offers a complete service to its partners.

Crédit Logement seeks to reconcile two objectives:

- keeping commitments secure;
- and, in the interests of all parties (lender, borrower and surety), limiting events of default that can lead to costly disputes, often with disastrous financial implications.

Drawing on its experience in debt collection, Crédit Logement also markets a number of solutions for effective collection by banks of past-due payments on property loans that are not covered by a Crédit Logement guarantee.

Training

With its panoramic vision of the property market and recognised expertise in risk analysis and risk management, Crédit Logement is on hand, day after day, to help all players in the French banking industry put together and examine applications.

The legitimacy that this gives it has led it to develop its own training programme: *La Formation par Crédit Logement*, with a first module focusing on mandatory training subsequent to the European Mortgage Credit Directive (MCD).

THE ADVANTAGES FOR BORROWERS OF THE CRÉDIT LOGEMENT GUARANTEE

The Crédit Logement guarantee is far more than a surety mechanism tied to a loan.

It is an active guarantee that will continue to benefit the borrower throughout the duration of the loan. The Crédit Logement guarantee provides access to a range of competitively-priced services that are not available with a physical collateral mechanism.

Speed

The formalities are simple, in that the guarantee is recorded in a private agreement, which means that the loan can be disbursed quickly.

Savings

The guarantee is not linked to the property for which the borrower has applied for a loan.

This means that a borrower who wishes to sell the property before the end of the term of the guaranteed loan will have no release fee to pay, as would otherwise have been the case had he or she taken out a loan under a mortgage mechanism.

The guarantee is therefore tailored to new lifestyles. It facilitates geographic and professional mobility, as well as changes in the family unit.

Assistance

Should a borrower run into financial difficulty, Crédit Logement will take steps to assist him or her by encouraging a dialogue. All available out-of-court solutions will be considered: payment deferral, new repayment schedule, extended loan duration, etc.

Should the resumption of instalment payments on the loan prove impossible, Crédit Logement will help the borrower with the sale of the property. Crédit Logement will only take legal action against a borrower to recover payment if no amicable solution can be reached.

By prioritising amicable negotiations with borrowers in arrears, Crédit Logement reduces the number of court cases and helps borrowers resume normal repayment of their loans in more than 50% of cases.

THE ADVANTAGES FOR BANKS OF THE CRÉDIT LOGEMENT GUARANTEE

Securing the market

Crédit Logement’s decision to provide a guarantee is based on a set of criteria designed to ensure that the borrower is solvent and able to meet the repayments. A second examination of the application by Crédit Logement secures and lends weight to the bank’s own analysis of the financing plan.

By taking into account the creditworthiness of borrowers, and not solely basing its decisions on the value of the financed property, which is subject to the uncertainties of property market cycles, the Crédit Logement guarantee aims to secure the property financing process by:

- limiting borrower default events;
- providing the most appropriate response to personal difficulties.

By looking after the collection of defaulted backed by its guaranties, Crédit Logement eliminates the risk that banks might incur any losses on their loans.

An effective economic guarantee

Through its comprehensive debt collection service, and the settlement of unpaid debts, the Crédit Logement solution provides banks with more protection against default-related losses than a mortgage portfolio and requires less capital through more favourable risk-weighting.

Since the guarantee provided by Crédit Logement is recognised as being identical to a physical collateral guarantee in the eyes of the Basel Committee (Basel III framework) and the credit rating agencies, banks that avail of the Crédit Logement guarantee qualify to use various forms of refinancing, e.g. through covered bonds and 'SFH' (*sociétés de financement de l'habitat*).

FINANCING RESIDENTIAL PROPERTY IN FRANCE *

2020 was an extraordinary year in many ways, marked by an unprecedented crisis that no-one could have imagined and which arrived in the form of the COVID-19 pandemic.

While the first two months of the year continued at the brisk pace observed in 2019, the first lockdown took all market operators by surprise and led to a near-total halt in business, both in the market for new homes and in the market for existing ones. Overall, a 41% drop in loan production was recorded in April and May.

The real estate market restarted in June with the completion of many programmes that had come to a standstill during the two-month lockdown. The pace of activity remained steady over the summer despite persistent economic uncertainties related to the public health situation. After picking up, demand slowed with the introduction of the second lockdown, although the decline was far less pronounced than some observers had anticipated.

This painted a contrasting picture from one quarter to the next, although activity remained well short of the strong 2019 levels. Year-on-year, the number of loans distributed across all markets fell as follows: by 6.6% in the first quarter, 41.9% in the second quarter, 7.7% in the third quarter and 12.5% in the fourth quarter.

The lending conditions offered to borrowers were also affected during the year, notably with the implementation of the HCSF's (French high council for financial stability) recommendations and the effects of the public health crisis.

* Sources: Property loan production observatory (*Observatoire de la Production de Crédits Immobiliers* - OPCI) Crédit Logement observatory / CSA (both excluding loan refinancing)

Interest rates remained low throughout the year. After peaking at 1.25% in May, in response to the first lockdown and a likely increase in risk, they fell back to 1.17% in December.
Loan terms lengthened throughout the year, with a sharp extension of six months in the second half to 233 months in the fourth quarter.

Down payment rates also rose by a sizeable 10.2% in 2020, after decreasing by 4.9% in 2019.

Through these adjustments, banks demonstrated their willingness to support demand while keeping loan payment amounts contained as a percentage of borrower income, with the maximum ratio being set at 33% until December 2020.

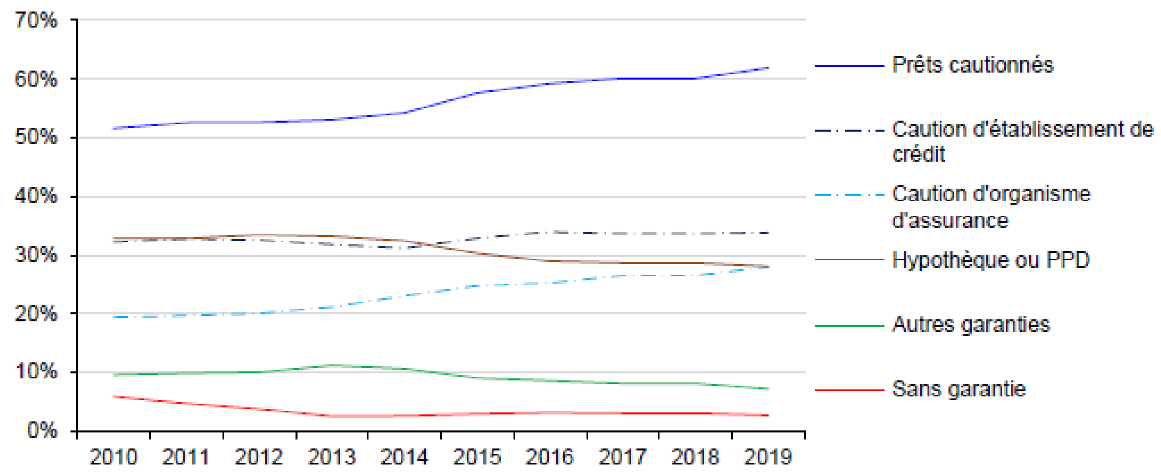
These changes distorted the structure of loan production, with a decline in the proportion of borrowers with lower incomes and lower down payments.

As a result, the production of loans, excluding loan refinancing, came to €169.9 billion in 2020, compared with €189.8 billion in 2019, representing a decrease of 10.5% as opposed to an increase of 10.4% in 2019.

Residential loan guarantees

In the French property market, borrowers essentially rely on guarantees (bank guarantees and insurance company guarantees) when taking out a loan. The latest research available on the breakdown of the guarantee market in France for 2020 (source: OFL/CSA and Despina model), expressed in total distributed loan amounts (excluding loan refinancing), indicates that the market share for financial guarantees continued to rise in 2020 to 60.2%, compared to just under 40% for physical collateral.

This breakdown obviously had a bearing on the structure of outstanding loans. Accordingly, in 2019, loans backed by a guarantee accounted for the largest proportion of outstandings at 61.9%, representing an increase of 1.8% on 2018, compared to 28.1% for physical collateral (source: ACPR (French prudential supervision and resolution authority) - 2019 annual survey into the financing of housing).



Until 2000, mortgages were the most common guarantee mechanism applied to low-income borrowers. Financial guarantees have since become the most common form of guarantee for borrowers, regardless of what income bracket they fall into.

In 2019, 59.3% of low-income borrowers were protected by a financial guarantee, compared to 56.8% in 2018, and 40.5% were covered by a mortgage mechanism. These percentages stood at 61.2% and 38.5% respectively in the case of borrowers in high-income brackets. This gap has been gradually widening for a number of years.

COMMITMENTS DURING THE YEAR

Crédit Logement recorded a year-on-year decrease of 22.7% in its production levels, with 405,167 property transactions guaranteed for €98.3 billion.

This coincided with a decrease of a little over 45% in the loan refinancing amount by comparison with 2019, to 10.7% of the total amount of guarantees.

Stripping out refinancing, the level of production registered a decline of almost 19% compared to the previous year.

Against this backdrop, the average transaction amount guaranteed increased by €15,812 to €242,713. Excluding refinancing, it averaged €252,865, representing an increase of €11,439.

Production relating to guarantees arranged during the year amounted to €69.9 billion, down by 12.4% on the previous year.

Accordingly, commissions on arranged guaranties amounted to €181.6 billion, down 8.4%.

Payments into the mutual guarantee fund also decreased by approximately 13% with €697.6 million collected.

With a 7.2% rate of early repayments, the level of outstandings nonetheless increased by 4.2% compared to 2019 and now exceeds €390 billion.

DEBT COLLECTION

Collection of guaranteed debts

The amount of exposure to a risk of loss managed through collection decreased slightly to €1.84 billion in 2020 across a total of 18,753 loans managed, representing a decline of a little under 6% in amount and number.

Banks triggered the guarantee mechanism on 7,338 loans during the year and there were 8,389 exits from the stock of loans.

Of these 8,389 exits, nearly 54% related to loans that re-entered the usual loan management cycle.

Debts repaid in full accounted for approximately 26% of all exits.

€184.9 million in payments were received and allocated to the mutual guarantee fund, representing a 10.6% decrease on 2019.

Financial claims on behalf of banks amounted to €176.4 million for the period.

Collection for third parties

Drawing on its experience in the collection of debts, Crédit Logement provides banks with an all-inclusive debt collection solution for all or part of their property debts.

This solution comprises two customised services:

- The collection of debts on personal property loans not guaranteed by Crédit Logement;
- Auction support and sell-on services if required following foreclosure by the banks.

As risk improved, the managed risk amount fell to €177.2 million as at 31 December 2020, representing 2,222 debts.

€29 million was collected during the year and 415 new unpaid debts were entrusted to Crédit Logement.

More than 394 auction support applications were received and examined as part of the "auction support and sell-on" service.

CASH AND BALANCE SHEET MANAGEMENT

In 2020, cash management stayed faithful to its principles, which involved cautious matching of liquidity and interest rates for bonds and reinvestment of cash from the mutual guarantee fund, after allowing for a very adverse scenario of an acute property market crisis combined with a liquidity crisis.

Cash comprises two main components:

- "conventional" cash stemming from equity loans and shares, reinvested directly with capital contributors according to the conditions set by the Board of Directors;
- available cash, which includes investments made possible by all other sources of cash, particularly the mutual guarantee fund and commissions collected in advance, as well as subordinated bond issues.

Cash is managed by a Cash Management Committee, which is also in charge of overall interest rate and liquidity risk management. The committee comprises five experts from five shareholder institutions, members of Crédit Logement's Executive Management and the heads of the Risk Management function and the Finance Department. After review, the committee submits to the Board of Directors a table of counterparty limits for approval and defines the rate and liquidity policies to be implemented, which must also be approved by the Board. It approves budget targets and verifies that they are met.

An Investment Committee, formed of in-house members of the Cash Management Committee, directs operational management and monitors implementation by the Finance Department.

As at 31 December 2020, almost all counterparties had signed the financial guarantee agreement, which secures investments through the contribution of different collateral, calculated in variable portions on the basis of a counterparty's credit rating and the investment duration. The 2020 public health crisis led us to prioritise liquidity by investing mainly in long-term securities that can be liquidated and by limiting investments in less liquid securities to periods of five years. At €6.6 billion, collateralised deposits rose between 31 December 2019 (from €6.1 billion) and 31 December 2020.

The principles adopted for the management of available cash are essentially based on matching the maturities of applications of funds and sources of funds, to partially immunise the income statement against changes in short-term rates, while taking into account the results of stress tests that, in particular, allow appropriate liquidity levels to be maintained in all circumstances.

Accordingly, available cash increased to a total of €6.46 billion as at 31 December 2020 (from €5.86 billion as at 31 December 2019). Long-term investments of available cash, with an initial maturity of more than five years and carrying a fixed rate (excluding the reinvestment of bond issues) were stable at €2.3 billion due to persistently-low interest rates. Medium-term investments (between 1 and 5 years) rose due to the liquidity preservation strategy, amounting to €1.9 billion. The rest of the available cash, namely €2.26 billion, was invested for less than one year, or was held in deposits redeemable by the investor in less than one year.

These investments are mainly in the form of term deposits, reverse repos and securities of excellent quality eligible for ECB refinancing operations.

Macro-hedge swaps were used to hedge the overall position at the company rate. Crédit Logement made arrangements in the second quarter of 2019 to clear swaps through a clearing broker and a clearing house. This meant that some swaps were cleared in the last quarter of 2020, while daily margin calls continued to be made for almost all the remaining swaps.

Furthermore, securities exchange transactions continued in 2020, subsequent to which the securities received were recognised as trading account securities.

MANAGEMENT OF ADDITIONAL CAPITAL

Tier 1 and Tier 2 subordinated debt issuance

Crédit Logement did not carry out any new equity transactions in 2020.

Ongoing transactions as at 31 December 2020 were as follows.

Tier 1

- An issue of non-innovative deeply-subordinated perpetual bonds in March 2006, held in Tier 1 for €800 million, for which the first possible date for exercising the quarterly early redemption option was in March 2011. This series of bonds is subject to a grandfather clause. €473.75 million of these bonds was redeemed on 28 November 2017. The outstanding amount is therefore €326.25 million.

Tier 2

- A €500 million issue of redeemable subordinated bonds, maturing in February 2021, with no early redemption option, at a fixed rate of 5.454%. €222 million of these bonds was redeemed on 28 November 2017, leaving an outstanding amount of €278 million.
- A €500 million issue of redeemable subordinated bonds, maturing in 2029, rated A1/A (Moody’s/DBRS), carrying an adjustable fixed-rate coupon of 1.35%, with a first redemption date in 2024.
- Equity loans taken out by partner banks of Crédit Logement, proportional to their outstanding loans under Crédit Logement guarantee, for a total of €1.1 billion.

All of the instruments issued prior to the implementation of Basel III are covered by a grandfather clause, with the exception of the restructured equity loans, for €422 million, with the share of Tier 1 capital covered by the grandfather clause being included in the Tier 2 capital.

RISK MANAGEMENT

Risk monitoring by the Risk Management function

The Risk Management function's mission is to ensure cross-disciplinary monitoring of the risks to which Crédit Logement is exposed. It is responsible for preparing and updating a cross-disciplinary risk map and overseeing compliance with risk management strategies. Reporting to the Head of Risk, who himself reports to Executive Management, the Risk Management function holds the necessary hierarchical level and degree of independence, as required by law, relative to the sales, finance and accounting functions.

The strategies to manage the different risks are determined by Executive Management and approved by the Board of Directors. They are reviewed by the Board of Directors at least once every year.

The Risk Management function carries out half-yearly reviews of the suitability of the risk management system, based on the strategies that have been defined. It presents the findings of these reviews at meetings of the Risk Monitoring Committee, which oversees the entire risk monitoring process. These meetings are chaired by Executive Management and attended by all members of the management team. Following the meetings of the Risk Monitoring Committee, a summary of the reports presented to it is submitted to the Risk Committee.

Every year, the Risk Management function updates the cross-disciplinary risk map that is submitted for approval to the Risk Monitoring Committee and prepares a report on the measurement and monitoring of risks covering all of the identified risks. This report is signed off by Executive Management and then reviewed by the Risk Committee. It is presented to the Board of Directors.

The strategy employed to manage the various risks is implemented on an operations level by three special committees: aspects relating to credit risk in the guarantee activity are handled by the Risk Policy Committee, financial risk considerations are handled by the committee in charge of managing cash, liquidity and interest rate risks, and operational risk aspects are dealt with by the Operational Risk Committee.

Credit risk in the retail banking business: guarantee portfolio

Management of credit risk relating to the portfolio of guarantees hinges on the pooling of risk and is aimed at maintaining a high level of coverage through the mutual guarantee fund. The internal rating system is the basis for follow-up of this strategy.

Pursuant to a decision by the ACPR dated 24 April 2007, Crédit Logement was granted the right to use its own internal rating system to calculate its regulatory capital (Pillar 1).

This system has applied to guaranteed transactions since 1 May 1994. It consists in segmentation into 21 homogeneous risk classes, segmented across probability of default (PD), loss given default (LGD) and exposure at default (EAD).

For the PD axis of segmentation at one year, Crédit Logement does not have sufficient updated information on changes in borrower behaviour between the moment the guarantee is granted and the moment that default by the counterparty is ascertained. A scoring technique is therefore used, which has been shown to predict the level of probability of default at one year over the entire lifetime of the guaranteed transaction in order to construct an EAD segmentation tree for the different homogeneous risk categories.

For the loss given default (LGD) axis of segmentation, Crédit Logement has prepared a model based on the statistical analysis of correlations between the observed rate of loss and a number of variables selected from economic and/or business criteria.

For the exposure at default (EAD) segmentation, a 100% Credit Conversion Factor (CCF) is applied to the guarantees arranged.

A rate of conversion for arranged guarantees, modelling the arrangement rates over one year, is applied to the commitments to arrange guarantees, for which Crédit Logement is only potentially at risk.

Furthermore, as Crédit Logement's guarantee is an alternative to other lender guarantees, Crédit Logement does not factor in any risk mitigation technique.

This rating system has been operational since June 2005. All new transactions are automatically scored and analysed using guarantee analysis tools and then assigned to a risk category of the internal rating model. The delegation of authority system that Crédit Logement has implemented takes the assigned internal rating into consideration when defining the categories of decision-makers who have the authority to grant a guarantee.

All the work and reports prepared by the Risk Management Department is reported each month to the Risk Policy Committee, which is overseen by Executive Management.

The internal rating model provides for a system of permanent controls, which is implemented by the Risk Management Department and facilitates half-yearly checks on the performance of the internal rating model. In accordance with the regulations in force, the Audit and Internal Control Department also oversees the performance of an annual review of the model. Since 2013, a regulatory report is drawn up by the unit in charge of validating the models. This reports covers the monitoring of the models and any changes in them.

The calculation of the regulatory capital requirement (Pillar 1) and the results of permanent and periodic controls are presented to the Risk Committee and to the Board of Directors.

As at 31 December 2020, this internal rating system was applicable to an exposure at default of €417 billion, breaking down into €400 billion in guarantees arranged and €17 billion in guarantees not yet arranged.

As at that same date, the rate of default at one year on the guarantee portfolio was 0.167%, marking a 3bp decrease compared with the end of 2019. The portfolio's probability of default at one year was estimated to average 0.29%.

The ability of the Debt Collection Department to return delinquent loans to normal management, or to quickly take the required protective measures for transactions in default, leads to an estimate of the portfolio's average LGD, on output from the model, of 11.24% of the EAD on transfer to default status, representing a decrease of 44bp compared with the end of 2019.

In accordance with the applicable regulations, an additional prudent margin is applied to this estimate with a countercyclical aim, providing a "downturn" LGD. The average LGD used for calculating the Pillar 1 capital requirement is therefore 14.69%, representing a decrease of 52bp compared with the end of 2019.

Given these parameters, the risk-weighted assets (RWA) of the portfolio stood at €29.1 billion, corresponding to a weighting of 7.01%, down by 43bp over the year.

As at 31 December 2020, the minimum regulatory capital requirement for guarantee portfolio credit risk in respect of Pillar 1 (unexpected losses) calculated in accordance with Article 154 of the Capital Requirements Regulation (CRR), and expected losses deducted from capital stood at €2.6 billion, before the application of the capital conservation buffer and the countercyclical buffer, bearing in mind that 23% of this requirement, namely €609 million, corresponded to the regulatory increase to be applied to the LGD to obtain a "downturn" LGD.

The mutual guarantee fund alone, set up to address guarantee portfolio credit risk, represents more than twice the amount of the regulatory capital requirement (Pillar 1) for the guarantee portfolio.

Excluding the equivalent value in euros of the EAD of loans guaranteed in Switzerland (guarantee operations were discontinued in this country in 2015) in the amount of €40.4 million, the credit risk for the guarantee portfolio derives exclusively from the French residential property financing market. This concentration is taken into account in the credit risk management strategy and is not currently perceived by the company as a strong risk. Crédit Logement’s risk selection criteria are based primarily on the ability of borrowers to repay their loans, and only secondarily on the value of the assets being financed or on the whole of the borrower's wealth. Additionally, Crédit Logement’s production is essentially with commercial and mutual banks in a non-speculative residential property market, and most loans are fixed-rate loans. Furthermore, the fall in interest rates since 2014 has triggered an unprecedented volume of loan renegotiation and refinancing transactions, helping to improve the solvency of borrowers.

The diversity of geographic spread and of customer type resulting from the diversification of our partnerships with almost all retail banks in France ensures good risk spreading and contributes to the diversification of credit risk on the guarantee portfolio.

Furthermore, during the internal capital calculation process, Crédit Logement queried the appropriateness of the 15% correlation coefficient used in the formula to calculate regulatory capital for the “retail mortgage” curve. The coefficient could be deemed to be five times higher than would be required based on an observation of the loss history of the portfolio, with a confidence interval of 99.975%.

In view of the regulatory changes formulated by the European Banking Authority on the definition of default, together with the methods for calculating the risk parameters of probability of default and loss given default, and the determination of periods of economic slowdown, taking into account their impact on the loss given default parameter, Crédit Logement has prepared the ground to adapt its management systems in order to implement the new rules for calculating the Pillar 1 capital requirement and to operate them on a parallel run basis from 2021.

Operational risks

Due to its size, the fact that it has a single production site, its single-product business, the very small number of transactions deriving from its cash management activity and its governance choices, Crédit Logement has opted for the “standardised” method to cover operational risks.

Among those identified from the outset, the greatest risks remain those related to IT, hosting and the security of information systems, as well as the unavailability of premises or personnel.

Two specific committees regularly monitor these risks, and Executive Management receives reports on the monitoring of security indicators.

Crédit Logement has implemented a system for collecting and measuring operational risk events, mainly on a reporting basis, with quarterly monitoring. 17 risk events were reported in 2020 (compared with 35 in 2019) and were mainly related to the information system. These were classified as minor incidents, below the criticality threshold applied by the company.

Beyond a strictly financial and regulatory approach, Crédit Logement is taking advantage of this procedure to improve its processes and increase their reliability. In 2020, a vulnerability assessment was carried out in which a cyber attack was simulated to test the effectiveness of security measures. No critical flaws were detected.

The host of the recovery site used in the Contingency and Business Continuity Plan (*Plan d'Urgence et de Poursuite d'Activité*) handles the unavailability of premises and of the entire local network. A new IS infrastructure, rolled out in 2020, includes two mirror sites with real time replication, so that either one may serve as a back-up site. This also means that, depending on the scenarios to be covered, the sites at numbers 50 and 84D boulevard de Sébastopol may also serve as user fallback sites in addition to the fallback site integrated into the BCP.

In the event of a major incident, the objective is to ensure, within 24 hours of unavailability, the continued processing of guarantee applications and, in the following days, the continued processing of debt collection and account keeping.

These mechanisms are tested twice a year to verify that they are operational. Technical tests on the back-up platform are supplemented by tests carried out directly by users to ensure the correct functioning of "business line" applications, alongside remote staff log-in tests, validating available staffing capacities that would include almost every member of staff in the event of a large-scale event.
From the first day of the lockdown in March 2020, all members of staff who were able to work remotely had secure access to Crédit Logement's entire IT environment from their homes.

The continuity of services provided by contractors (particularly facilities management for the main site, extranet application hosting, etc.) is covered by a contractual warranty in the form of disaster recovery plans.

These disaster recovery plans rely on back-up sites that are geographically separate from the contractors' main sites and undergo annual technical tests verified by Crédit Logement.

The capital requirement for operational risk stood at €28 million as at 31 December 2020.

Liquidity risk management and the liquidity ratio

Crédit Logement's liquidity risk is very specific, since the residential loan guaranty business generates liquidity. A liquidity risk could therefore arise only from a mismatch between its cash management policy and the requirements resulting from its surety role.

For the management of this liquidity risk, an extreme stress test was developed regarding the loss experience of the guarantee portfolio. This is applied as long as it remains sufficiently conservative relative to the latest known risk parameters. At the end of 2020, this extreme stress scenario included a deterioration of the risk parameters that would lead to a more than fivefold increase in expected losses on sound debt at the peak of the stress, and delays in recovering certain liquid assets.

Crédit Logement makes liquid investments but must ensure that its gap under extreme stress remains positive at all times. However, since 2015, plots above three years may be negative up to a maximum of €100 million.

Crédit Logement's internal model for managing liquidity risk, which is based mainly on this extreme stress scenario and on several liquidity indicators in various timeframes (day, month, quarter), was approved by the ACPR in May 2011 and, as required, showed a still-positive gap over the first three years as at 31 December 2020.

The 2020 public health crisis and lockdown measures did not have a notable impact on liquidity. During the first lockdown, Crédit Logement observed that cash inflows fell sharply but never stopped. Crédit Logement has applied three COVID-19 scenarios to the liquidity gap using distinct parameters, such as GDP and the unemployment rate. None of the three scenarios is as restrictive as the combined stress test corresponding to our internal liquidity model. This test assumed a complete halt in loan production, which did not occur, even during the first lockdown.

The emergency response plan in place to handle a liquidity crisis was tested in 2020 and the outcome of the test was satisfactory.

Overall interest rate risk management

Crédit Logement's objective is first to manage its liquidity risk and then to minimise its overall interest rate risk, made up in particular of a long-term resource, the mutual guarantee fund, and investments made under liquidity stress scenarios.

Its net interest margin, consisting exclusively of the margin on the management and investment of its regulatory capital, which includes the mutual guarantee fund in particular, is therefore sensitive above all to interest rate variations, earning a higher margin when rates are high, although low rates are more favourable to the business of guaranteeing property loans.

Crédit Logement measures and manages its interest rate risk with an overall rate gap, so that it can gauge the impact of an interest-rate stress scenario, both on its net interest margin and on the Net Present Value (NPV) of its balance sheet, assuming the straight-line amortisation of book equity over a period of 10 years. In particular, the regulatory stress test of a 200bp change across the entire rate curve is applied, on the basis – since the beginning of 2015 – of a floor rate equivalent to the ECB overnight deposit rate, and a limit has been set for the sensitivity of NPV to this stress. Other Basel-recommended scenarios relating to interest rate risk sensitivity have been simulated. The regulatory stress test involving a 200bp decline in the rate curve stands out as the most adverse scenario.

As at 31 December 2020, the sensitivity of NPV over 10 years in the event of a 200bp drop in interest rates corresponded to -2.06% of the share capital after taking into account the macro-hedging swap portfolio.

The Basel Committee on Banking Supervision issued standards for Interest Rate Risk in the Banking Book (IRRBB) in April 2016, which were incorporated into the European Banking Authority’s guidelines EBA/GL/2018/02. Crédit Logement, which falls into category 3 of the Supervisory Review and Evaluation Process (SREP), has been subject to these standards since 31 December 2019 and complies with all applicable limits relating to the EBA guidelines. The outlier test calculation at 31 December 2020 pointed to a maximum variation of 0.76% in total capital under an interest rate shock scenario of +200bp when the maximum loss in the economic value of equity was compared to 20% of total capital. With the early warning system, the maximum variation under the six interest rate shock scenarios was 1.60% when the maximum loss in the economic value of equity was compared to 15% of Tier 1 capital.

Following changes to the regulations, the outlier test and early warning system are the new supervision limits for interest rate risk management, and the sensitivity of the NPV has been retained as an operational limit.

Market risk, counterparty risk and other risks

At the end of 2020, Crédit Logement did not hold any instruments classified as isolated open positions or in a trading book. Crédit Logement is therefore not subject to market risk.

Crédit Logement does not manage any means of payment for third parties and therefore has no counterparty risk in this respect.

There is only a counterparty risk in relation to financial futures (interest rate swaps all categorised under micro or macro hedging) for which Crédit Logement applies the regulatory initial maturity approach.

Other than the subsidiary described later on in this report, Crédit Logement does not have any other shareholdings. Therefore, Crédit Logement is not exposed to "equity" risk.

INTERNAL CAPITAL VALUATION PROCESS

Based on the methodologies proposed by the European Banking Authority and the principles of proportionality laid down by the French regulator, Crédit Logement has mapped its position for each of the risks to which it is exposed.

It completed this risk map by factoring in the risks referred to in the French order of 3 November 2014 on internal control.

Approach used to measure internal capital

The approach adopted by Crédit Logement combines a structured method including the development of internal management models for credit risk on the guarantee portfolio and a simple method for other risks.

The overall level of internal capital calculated to cover all risks is obtained by adding up the results obtained from each of the identified risks.

Crédit Logement therefore uses no correlation effect or offsetting between the various risks.

Guarantee portfolio credit risk

With the internal approach, coverage of the expected loss on the guaranty portfolio is calculated over the lifetime of the guaranty portfolio, not over one year.

Unexpected losses are calculated using a stressed correlation coefficient that, for prudential reasons, corresponds to the coefficient observed for the guaranty portfolio following the application of a stress scenario when testing the Recovery Plan, which presented an impact on the risk parameters comparable to that observed with the Spanish crisis of 2008.

Investment portfolio credit risk

As part of its internal capital adequacy assessment, Crédit Logement measures investment portfolio credit risk by factoring in the associated concentration risk. To reduce the latter, a plan to collateralise investments with its main counterparties was implemented in 2013 and is ongoing.

Market risk

Crédit Logement has no market risk (no trading portfolio, no active management of financial instruments or products).

Operational risk

The internal approach aims to check that regulatory capital covers the residual risk of the major risk events that have been identified. If this is not the case, the unexpected risk is measured by the impact that a major risk event could provoke.

Liquidity risk

Liquidity gaps in the portfolio of liquid assets are examined under an extreme stress scenario to check that Crédit Logement could honour all of its commitments, even in such a scenario.

Interest rate risk

Since 31 December 2019 and the BCBS' standards for Interest Rate Risk in the Banking Book (IRRBB) published in April 2016, Crédit Logement, which falls into SREP category 3, measures interest rate risk based on the EVE (Economic Value of Equity).
The new guidelines published on 19 July 2018 introduce a non-binding threshold of 15% of Tier 1 capital, which serves as an early warning signal, with no automatic Pillar 2 measures and beyond which enhanced monitoring by the competent authority is required. This early warning signal is

based on the six standard prudential shock scenarios presented in the table on the following page. The EBA guidelines set a certain number of constraints for calculating the EVE (run-off balance sheet, exclusion of certain liability items, application of a floor with gradual increase, etc.).
This threshold comes on top of the existing one provided for by CRD4 (outlier test), which is a binding threshold. The outlier test involves calculating the change in the EVE following a parallel shock of +/- 200bp and comparing this change against own funds. The change must not exceed 20%.
These two tests will coexist until CRD5 comes into force. If sensitivity remains low, this risk does not require any additional capital.

Structural foreign exchange risk

A revaluation of the Swiss franc against the euro would only have an impact on the amount of loan guarantees denominated in this currency and translate into an increase in the EAD of the guarantee portfolio and in the Pillar 1 regulatory capital requirements relating to this portfolio (boundary risk).

Any change in regulatory capital requirements would therefore be covered in respect of credit risk on the guarantee portfolio.

Other risks

An analysis of the risks referred to in the order of 3 November 2014 did not give rise to any additional capital charge with respect to internal capital.

Measurement of internal capital

As at 31 December 2020, the amount of internal capital needed to cover all risks to which the company is exposed (expected and unexpected losses) was €2.4 billion, compared with:

- unexpected losses (Pillar 1 requirement) of €3,472 million (of which €827 million for the capital conservation buffer) and expected losses of €323 million to be deducted from capital,
- a Pillar 2 regulatory capital requirement of €7,808 million, i.e. three times the amount of internal capital needed.

INFORMATION ON THE BUSINESS OF SUBSIDIARIES AND CONTROLLED COMPANIES

SNC FONCIÈRE SÉBASTOPOL

This property dealer, which is wholly-owned by Crédit Logement, auctions property assets following court proceedings to recover secured debt.

In 2020, SNC Foncière Sébastopol carried out six new auctions and sold on twelve assets.

At the end of 2020, there were fifteen properties in stock representing a total net amount of €1,708,077, including an impairment provision of €228,000, compared with €2,608,172 as at 31 December 2019.

The agreement for the provision of administrative and accounting services signed by Crédit Logement and SNC Foncière Sébastopol on 14 May 2012 continues to apply, and has not been amended.

The income statement shows a loss of €97,293, essentially corresponding, on the one hand, to interest on the partner’s current account, current management expenses and impairment provisions and, on the other, to capital gains on sales.

BALANCE SHEET

Total assets on the balance sheet amounted to €11.9 billion as at 31 December 2020, representing an increase of €0.5 billion compared with 31 December 2019.

This increase was mainly due to the mutual guarantee fund (+€0.29 billion), a securities repurchase agreement (+€0.12 billion), reflecting the growing diversification of financial investments, and the fact that no dividend was distributed in 2020 (+€0.1 billion). Combined with the decrease in calls on the Crédit Logement guarantee, reflected in the favourable pattern in doubtful loans (-€0.08 billion) and in loans and advances to credit institutions (-€0.26 billion), due mainly to maturing term deposits, these changes produced a significant increase in bond investments (+€0.8 billion, net of amounts payable on repurchase agreements).

OFF-BALANCE SHEET COMMITMENTS: OUTSTANDINGS

Crédit Logement's off-balance sheet outstandings, representing capital remaining due for guarantees covering the repayment of loans distributed by other institutions, is still growing and had reached €390.4 billion as at 31 December 2020, compared with €374.7 billion as at 31 December 2019.

Guarantee agreements not yet arranged fell to €37.9 billion at the end of 2020 from €45.9 billion at the end of 2019.

Outstandings for which surety agreements had been arranged therefore increased by €15.7 billion, i.e. by 4.2%, factoring in annual amortisation and early repayments in the amount of €53.6 billion. The early repayment amount continued to rise at a steady pace (7.2% of outstandings).

The solvency ratio at the end of the year

Crédit Logement's Pillar 1 solvency ratio, calculated in accordance with the order of 23 December 2013, stood at 25.0% as at 31 December 2020, compared with 23.3% as at 31 December 2019. Pillar 2 capital, for which the methods of calculation were revised by the regulator in May 2017, must equate to at least 2% of outstanding guarantees. It stood at €7.8 billion as at 31 December 2020.

As the Board of Directors did not decide on the allocation of income before the end of 2020, only the legal reserve was taken into account in the regulatory capital at 31/12/2020.

Change in regulatory capital

Prudential capital increased by €0.5 billion to €8.3 billion as at 31 December 2020. This growth was mainly due to the increase in the mutual guarantee fund, the decrease in doubtful loans and the decision not to pay out a dividend in respect of the year ended 31 December 2019.

	31/12/2020	31/12/2019	Change
Equity capital on the liability side of the balance sheet	1,665,122	1,565,972	99,150
Fund for general banking risks	610	610	0
Mutual guarantee fund	6,350,462	6,063,123	287,339
Income (losses) to be allocated	(99,150)	(103,369)	4,219
Deductions	(1,596,481)	(1,709,769)	113,288
COMMON EQUITY CAPITAL TIER 1	**6,320,564**	**5,816,567**	**503,996**
Subordinated Tier 1 securities	326,250	326,250	0
Deductions	(114,398)	(8,473)	-105,925
ADDITIONAL TIER 1 EQUITY CAPITAL	211,852	317,777	-105,925
TIER 1 EQUITY CAPITAL	**6,532,416**	**6,134,344**	**398,071**
Subordinated loans	1,103,297	1,103,297	0
Subordinated securities – Tier 2	507,152	562,843	-55,691
Add-back of Tier 1 capital incorporated into Tier 2 capital	114,398	8,473	105,925
Mutual guarantee fund held in Tier 2	1,429	1,490	-61
Deductions	(8,341)	(5,335)	-3,006
ADDITIONAL TIER 2 EQUITY CAPITAL	1,717,935	1,670,768	47,167
TOTAL REGULATORY CAPITAL (numerator)	**8,250,351**	**7,805,112**	**445,238**
Risk-weighted assets - advanced IRB model	29,114,367	29,886,007	
Risk-weighted assets - standardised method	3,116,562	2,847,290	
Other assets not corresponding to loan obligations	489,395	476,118	
Operational risks	344,701	366,692	
TOTAL RISK-WEIGHTED ASSETS (denominator)	**33,065,025**	**33,576,107**	**-511,082**
Common Equity Tier 1 solvency ratio	**19.12%**	**17.32%**	
Tier 1 solvency ratio	**19.76%**	**18.27%**	
CRD4 SOLVENCY RATIO	**24.95%**	**23.25%**	
Pillar 2 capital requirements	**7,807,841**	**7,494,926**	

Common Equity Tier 1

The total amount of Common Equity Tier 1 capital was €6.3 billion as at 31 December 2020, compared with €5.8 billion in 2019, representing a net increase of €504 million:

- the mutual guarantee fund held in Common Equity Tier 1 increased by €287 million to €6.4 billion at the end of 2020, compared with €6.1 billion in 2019;
- doubtful loans deducted from the mutual guarantee fund held in CET1 decreased by €74 million from €1.32 billion as at 31 December 2019 to €1.25 billion as at 31 December 2020;
- retained earnings increased by €98 million as no dividend was distributed in 2020.

Tier 1 capital

This is the Common Equity Tier 1 plus additional tier 1 (AT1) capital. It increased by €398 million to €6.5 billion as at 31 December 2020.
It did not rise as much as CET1 due to the cap on perpetual subordinated notes tied to the grandfather clause, which increased by €106 million.

Tier 2 capital

This increased by €47 million to €1.72 billion as a result of:

- the add-back into Tier 2 capital of the cap on perpetual subordinated notes, deducted from Tier 1 capital in the amount of €106 million;
- a €56 million increase in the amortisation of the subordinated notes maturing in 2021.

MATURITIES AND PAYMENT SCHEDULES FOR RECEIVABLES AND PAYABLES

The receivables analysed in this paragraph relate to the guarantee activity for third parties and various services provided to third parties. The payables correspond to amounts due to suppliers for purchases.

We have not included own-account banking transactions in the information provided hereafter, as we consider that they do not fall within the scope of the information that is required to be disclosed.

ECHEANCIER DES DETTES FOURNISSEURS ET CREANCES CLIENTS (en millers d'euros)

	31/12/2020						31/12/2019					
	1 à 30 jours	31 à 60 jours	Plus de 60 jours	Plus de 90 jours	Dettes ou Créances échues	**Total**	1 à 30 jours	31 à 60 jours	Plus de 60 jours	Plus de 90 jours	Dettes ou Créances échues	**Total**
Dettes Fournisseurs	273	20			117	**410**	536	1			246	**783**
Créances Clients	1 118				52	**1 170**	1 172				16	**1 188**

DETTES ET CREANCES ECHUES au 31/12/2020 (en millers d'euros)												
	Article D 441 I. -1° : Factures reçues non réglées à la date de cloture de l'exercice dont le terme est échu						**Article D 441 I. -2° : Factures émises non réglées à la date de cloture de l'exercice dont le terme est échu**					
	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)
(A) Tranches de retard de paiment												
Nombre de factures concernées		131	12	2	13	158			2		3	5
Montant total des factures concernées TTC		73	36	1	7	117			39		13	52
Pourcentage du montant total des achats TTC de l'exercice		0,57%	0,28%	0,01%	0,05%	0,91%						
Pourcentage du chiffre d'affaires TTC de l'exercice								0,00%	0,01%	0,00%	0,00%	0,02%
(B) Factures exclues du (A) relatives à des dettes et créances litigieuses ou non comptabilisées												
Nombre de factures exclues												
Montant Total des factures exclues												
(C) Délais de paiement de référence utilisés (contractuel ou délai légal - article L. 441-6 ou article L. 443-1 du code de commerce												
Délais de paiement utilisés pour le calcul des retard de paiement	■ Délais contractuels : de "à reception de facture" jusqu'à "60 jours date facture" ☐ Délais légaux						■ Délais contractuels : "30 jours date facture" ☐ Délais légaux					

INCOME STATEMENT

Crédit Logement is not required to enclose a non-financial statement as it employs fewer than 500 employees.

Net banking income amounted to €201.2 million, compared with €211.4 million a year earlier, representing a decrease 4.8%.

Of this, net financial income decreased by 16.3% on the previous year, mainly due to the following:

- interest rates that remain very low, weighing on returns on available cash, despite an increase of nearly 8% in average proceeds from the investment of this cash and representing a decrease of more than 9% in income;
- a decrease in income from "conventional" cash as a result of equity loan transactions under less favourable terms;
- practically flat charges on subordinated debt without any new capital management transactions during the year.

However, still firm business volumes in 2020 sent commission income up by 1.5%, mainly under the impact of an increase in early repayments.
Lastly, there was a 31.9% decrease in other income from operations.

Overheads and depreciation and amortisation charges were flat at €55.3 million, compared with €55.4 million in 2019.

This was due to the following:

- personnel expenses fell by 3.3%, essentially due to changes in the variable component of remuneration packages and the effects of the French Pacte law that was passed in April 2019, which were not repeated in 2020;
- other administrative expenses rose by 6.5%, mainly as a result of the increase in taxes and duties;
- depreciation and amortisation charges and impairment provisions increased by 3.6%.

As a result, gross operating income, before non-recurring income and expenses, corporate income tax and tax-driven provisions, amounted to €145.9 million, down by 6.5% on the previous financial year.

The corporate tax expense was €46.6 million, compared with €53.6 million in 2019.

Overall, net profit for the financial year came to €99.1 million, pointing to a return on equity of 6.14% in 2020.

OUTLOOK AND SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

In view of the public health situation, which has yet to fully stabilise, Crédit Logement has factored a slight fall in guarantee volumes into the projections for 2021.
However, volumes were very dynamic in January and February, which could bode well for an increase over the full year, assuming the public health situation does not take a turn for the worse.

In terms of risk, after something of a paradox in 2020 in which risk decreased despite the sharp fall in GDP, helped by government measures and support from banks, risk is expected to increase in 2021, but on a scale that will almost certainly be smaller than predicted in 2020.
However, risk was very low in January and February and we are not expecting it to increase much before the second half of 2021.

PROPOSED APPROPRIATION OF EARNINGS

The net distributable profit of €198,038,844.59 breaks down as follows:

• net profit for the financial year	€99,149,902.83
• plus retained earnings from the previous year	€98,888,941.76

The following appropriation is proposed:

• legal reserve	€4,957,495.14
• dividends allocated to shares	€30,236,406.48
• retained earnings	€162,844,942.97

As provided by law, the appropriation of earnings and dividend amounts paid out for the past three financial years are mentioned in the wording of the third resolution submitted to the shareholders for approval.

The resolutions submitted approve the accounts presented to the shareholders and the proposed appropriation of earnings for the financial year in question.

Other specific resolutions proposed

The shareholders will be asked to renew the term of office of Caisse Centrale de Crédit Mutuel as a member of the Board of Directors for a period of six years.

The shareholders will be asked to approve the cooptation, announced at the 25 March 2021 meeting of the Board of Directors, of Mr Paul Espagno to replace resigning member Mr Eric Pinault.

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Pursuant to Articles L. 225-37 et seq. of the French commercial code (*Code du Commerce*)

Introduced by the order of 19 July 2017, this new report prepared by the Board of Directors will be presented with the management report at the general meeting of the shareholders on 30 April 2021.

The Statutory Auditor's report will certify that it contains the required information.

The information contained in this report is listed in Article L.225-37-4, subparagraphs 1 to 4, of the French commercial code. Please be advised that Crédit Logement has not held securities admitted for trading on a regulated market since December 2017.

Operating procedures for Executive Management (Art. L.225-51-1 of the French commercial code)

These provisions were clarified in the first report drawn up in 2018 and have undergone no changes since then.

List of the corporate offices and roles of each company officer in 2020.

The Crédit Logement Board of Directors has 13 members. A list of their corporate offices and roles and of those of the company's senior managers may be obtained from the company on request.

Agreements entered into, directly or through an intermediary, between a company officer or a shareholder holding more than 10% of the voting rights in a company, and another company in which the former company holds, directly or indirectly, an interest of more than 50%.

No agreement meeting these criteria was entered into in 2020.

Summary table of the powers conferred by the shareholders in respect of capital increases: not relevant.

The last such powers ran until 3 September 2017. They had been conferred upon the Board by the shareholders at the extraordinary general meeting of 3 March 2016 to complete the issue of AT1 bonds convertible into ordinary shares with the removal of preferential subscription rights. Ultimately, the Board did not exercise these powers.

BALANCE SHEET

(en milliers d'euros)

	2020	2019	Notes
CASH, CENTRAL BANKS, CCP	**6**	**7**	
DEPOSITS ON CREDIT INSTITUTIONS	**5 808 925**	**6 072 940**	A1
On sight	311 641	435 367	
Term	5 497 284	5 637 573	
CUSTOMER TRANSACTIONS	**1 252 072**	**1 326 536**	A3
Other customer loans	582	571	
Doubtful loans	1 251 490	1 325 965	
BONDS AND OTHER FIXED-INCOME SECURITIES	**3 652 072**	**2 753 467**	A4-1
SHARES AND OTHER VARIABLE-INCOME SECURITIES	**649 245**	**668 465**	A4-1
INTERESTS IN AFFILIATED COMPANIES	**1 649**	**2 728**	A4-2
INTANGIBLE FIXED ASSETS	**11 489**	**9 032**	A5
TANGIBLE FIXED ASSETS	**12 552**	**13 061**	A5
OTHER ASSETS	**5 282**	**1 496**	A6
ACCRUALS	**537 638**	**537 361**	A6
TOTAL ASSETS	**11 930 930**	**11 385 093**	

	2020	2019	Notes
Amounts due to Credit institution	**5 691**	**6 443**	A7
On sight	11	9	
Term	5 680	6 434	
Amounts due to customer	**12 939**	**9 575**	A7
OTHER LIABILITIES	**705 986**	**603 113**	A8
ACCRUALS	**963 498**	**909 769**	A8
DEPRECIATIONS FOR RISK AND EXPENSES	**1 050**	**858**	A8
SUBORDINATED DEBT	**8 576 034**	**8 288 753**	
Mutual guarantee deposits	6 351 891	6 064 613	A9-1
Subordinated borrowings	1 103 297	1 103 297	A9-2
Accrual on borrowings	2 623	2 605	A9-2
Surbordinated securities	1 104 250	1 104 250	A9-2
Accruals on subordinated securities	13 973	13 988	A9-2
FUNDS FOR GENERAL BANKING RISKS	**610**	**610**	A9-3
SHAREHOLDERS' EQUITY	**1 665 122**	**1 565 972**	
Capital	1 259 850	1 259 850	A9-4
Reserves	154 180	149 012	A9-4
Regulatory provisions	53 053	53 053	A9-3
Retained earnings	98 889	688	
Earnings for the year	99 150	103 369	
TOTAL LIABILITIES	**11 930 930**	**11 385 093**	

OFF-BALANCE SHEET

COMMITMENTS	2020	2019	Notes
Guarantee outstandings	**390 392 034**	**374 746 295**	A12-1
Guarantee commitments not yet implemented	**37 862 764**	**45 935 394**	A12-1
Other guarantee given	**56**	**201**	
COMMITMENTS GIVEN	**428 254 854**	**420 681 890**	

COMMITMENTS	2020	2019	Notes
Guarantee commitments received from credit institutions	**1 826 939**	**1 992 892**	A11
On securities to be received	**210 000**	**130 000**	A11
COMMITMENTS RECEIVED	**2 036 939**	**2 122 892**	

PROFIT AND LOSS

AT DECEMBER 31, 2020

	2020	2019	Notes
Interest income	112 706	117 865	B1
Interest expenses	-67 790	-64 230	
Income from variable-income securitie	29	38	B2
Commission (income))	154 370	152 008	B3
Commission (expenses)	-891	-779	
Gain or loss on exchange	0	-1	B4
Income on marketable securities	-130	2 264	B5
Other banking operating income	3 315	4 608	B6
Other banking operating expenses	-442	-391	
NET BANKING INCOME	**201 167**	**211 382**	
General operating expense	-50 644	-50 923	B7
Allowances for depreciation and amortisation on tangible and intangible fixed assets including equity securities	-4 672	-4 510	B8
GENERAL OPERATING EXPENSES AND ALLOWANCES FOR DEPRECIATIONS AND PROVISIONS	**-55 316**	**-55 433**	
GROSS OPERATING INCOME	**145 851**	**155 949**	
Cost of credit risk			
OPERATING INCOME	**145 851**	**155 949**	
Gain on affiliated companies	-52	1 032	B9
INCOME BEFORE TAX	**145 799**	**156 981**	
Non-recurring income/loss			
Corporate income tax	-46 649	-53 612	B10
Allowances/write back for provisions			
NET INCOME FOR THE YEAR	**99 150**	**103 369**	

STATUTORY AUDITORS REPORT
ON THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

To the general meeting of the shareholders of Crédit Logement,

Opinion on the annual financial statements

In compliance with the engagement entrusted to us by the shareholders at the general meeting, we have audited the annual financial statements of Crédit Logement for the year ended 31 December 2020, as enclosed in this report.

In our opinion, with regard to French accounting rules and principles, the annual financial statements provide a true and fair view of the assets and liabilities and of the financial position of the company for the year under review and of the results of its operations for that year.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis for our opinion

Audit framework
We conducted our audit in accordance with professional standards applicable in France. We consider that the audit evidence that we have collected is sufficient and appropriate to form the basis of our opinion.

Our responsibilities under those standards are described herein under *Responsibilities of the statutory auditors for the audit of the annual financial statements*.

Independence
We conducted our audit in accordance with the rules of independence set out in the French commercial code (*Code de commerce*) and the French code of ethics for statutory auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from 1 January 2020 to the date of issuance of our report.

Justification of our assessments - Key audit matters

The global crisis triggered by the COVID-19 pandemic has meant that new factors have had to be taken into account in the preparation and audit of the financial statements for the financial year ended 31 December 2020. The crisis and the exceptional measures taken by the authorities as part of the state of emergency in response to the pandemic have multiple consequences for companies, particularly in relation to their activity and financing. This has also led to more uncertainty over their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organisation of companies and on how audits are conducted.

It is in this complex and changing context that, pursuant to the provisions of Articles 823-9 and R.823-7 of the French commercial code relating to the justification of our assessments, we bring to your attention the key audit matters relating to the risks of material misstatement which, in our professional judgement, were of the most significance for the audit of the annual financial statements, and our responses to these risks.

- The section relating to "doubtful loans" in the notes to the financial statements states that, when a debt is deemed to be irrecoverable, any outstanding payments due are drawn from the mutual guarantee fund (*Fonds Mutuel de Garantie*). As part of our assessment of the reasonableness of the accounting estimates used to prepare the financial statements, we examined the control system in place to identify and monitor the risks relating to the guarantee business, to assess the risks of non-recovery and to cover these risks through the mutual guarantee fund.

- The section of the notes on the "securities portfolio" (accounting principles and methods) outlines the methodology used to measure the value of the securities portfolio (trading account securities, securities held for sale, debt securities held to maturity and participating interests) and, where necessary, to recognise impairment charges. As part of our assessment of the reasonableness of the accounting estimates used to prepare the financial statements, we examined the system in place to monitor and examine these securities, making it possible to assess the level of impairment necessary.

These assessments were made as part of our audit of the annual financial statements taken as a whole and therefore contributed to the opinion we formed, as expressed above. We shall not express a separate opinion on specific items of these annual financial statements.

Specific verifications

In accordance with professional standards applicable in France, we also carried out the specific verifications required by law and the regulations in force.

Disclosures made in the management report and in the other documents provided to the shareholders relating to the company's financial position and annual financial statements

With the exception of the matter referred to in the following paragraph, we have no matters to report as to the fair presentation and consistency with the annual financial statements of the disclosures made in the management report prepared by the Board of Directors and in the other documents on the financial position and the annual financial statements provided to the shareholders.

We have the following observation with regard to the fair presentation and consistency with the annual financial statements of the disclosures relating to payment terms, referred to in Article D.441-6 of the French commercial code: as stipulated in the management report, such disclosures do not include banking transactions and related transactions, as your company holds the view that they do not fall within the scope of the disclosures to be made.

Disclosures relating to corporate governance

We certify that the Board of Directors' report on corporate governance contains the disclosures required by Article L. 225-37-4 of the French commercial code.

Responsibilities of the management and of the persons with governance roles with respect to the annual financial statements

It is the duty of management to prepare annual financial statements that provide a fair presentation of the financial position of the company and to implement the internal control measures that it deems necessary to the preparation of annual financial statements that are free of material misstatement, whether due to fraud or error.

When preparing the annual financial statements, management is required to assess the capacity of the company to continue as a going concern, to make any necessary disclosures in these financial statements relating to matters of going concern and to use the going concern basis of accounting, unless there is a plan to liquidate the company or to cease its business.

The audit committee is responsible for monitoring the financial reporting process and for monitoring the effectiveness of the internal control and risk management systems, as well as, where appropriate, the internal audit system, with regard to the procedures applied in the preparation and reporting of accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors for the audit of the annual financial statements

Objective and audit approach

We are required to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole do not contain material misstatements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will systematically detect any material misstatement that might exist.

Misstatements can arise from fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As stipulated in Article L. 823-10-1 of the French commercial code, our statutory audit does not consist in providing assurance as to the viability of the company or the quality of its management.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor is required to exercise professional judgement throughout the audit and, furthermore, to:

- identify and assess the risks of material misstatement in the annual financial statements, whether due to fraud or error, define and perform audit procedures to respond to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for the statutory auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of non-detection of one resulting from error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the circumvention of internal control; obtain an understanding of internal control relevant to the audit in order to define audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of the accounting methods applied and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, relying on the audit evidence obtained, ascertain whether a significant uncertainty exists related to events or circumstances that may call into question the company's ability to continue as a going concern. This assessment relies on the audit evidence obtained up to the date of the audit report, bearing in mind, however, that future circumstances or events may call into question the company's ability to continue as a going concern. Should the statutory auditor deem that a significant uncertainty exists, it shall draw the attention of the recipients of its report to the related disclosures in the annual financial statements or, if such disclosures are not provided or are inadequate, it shall express reservations or refuse to certify the annual financial statements;
- evaluate the overall presentation of the annual financial statements and assess whether these statements provide a fair presentation of the underlying transactions and events.

Report to the audit committee

We submit a report to the audit committee that notably includes a description of the scope of the audit and the work programme implemented, as well as the results of our audit. We also report on any significant shortcomings in internal control that we may have identified with respect to the procedures applied in the preparation and reporting of accounting and financial information.

We also provide the audit committee with the declaration provided for in Article L. 823-16 of the French commercial code, confirming our independence within the meaning of the rules applicable in France such as they are set forth in particular by Articles L. 822-10 to L. 822-14 of said code and in the French code of ethics for statutory auditors. Where appropriate, we discuss with the audit committee the risks that may have a bearing on our independence and the related safeguards.

Paris-la-Défense and Paris, 14 April 2021 The Statutory Auditors

Deloitte & Associés	CTF
Marjorie Blanc Lourme	Christophe Legué

NOTES TO THE FINANCIAL STATEMENTS

I – EVENTS AFTER THE END OF THE FINANCIAL YEAR

In view of the public health situation, which has yet to fully stabilise, Crédit Logement has factored a slight fall in guarantee volumes into the projections for 2021.
However, volumes were very dynamic in January and February, which could bode well for an increase over the full year, assuming the public health situation does not take a turn for the worse.
In terms of risk, after something of a paradox in 2020 in which risk decreased despite the sharp fall in GDP, helped by government measures and support from banks, risk is expected to increase in 2021, but on a scale that will almost certainly be smaller than predicted in 2020.
However, risk was very low in January and February and we are not expecting it to increase much before the second half of 2021.

II - PRESENTATION OF THE ACCOUNTS

The rules applied for the preparation of Crédit Logement's financial statements are based on principles adopted by the French accounting standards setter (*Autorité des Normes Comptables* - ANC), the regulations of the advisory committee on financial legislation and regulations (*Comité Consultatif de la Législation et de la Réglementation Financières* - CCLRF) and the instructions of the French prudential supervision authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR) relative to the preparation and publication of individual annual financial statements for financial institutions (*sociétés de financement*).

The balance sheet, income statement and notes have been drawn up in accordance with ANC regulation 2014-03 on the French general chart of accounts, subject to modifications provided for in ANC regulation 2014-07 of 26 November 2014 on the financial statements of companies in the banking sector, enacted by the decree of 26 December 2014 published in the French Official Journal (*Journal Officiel*) on 31 December 2014.

The items making up the assets, liabilities and off-balance sheet commitments expressed in foreign currency are recorded and measured according to the principles set out in the abovementioned regulation 2014-07 of 26 November 2014.

Transactions in foreign currencies are valued based on prices on the last day of the financial year. Gains or losses that occur are taken to the income statement.

There was no change of accounting method in 2020.

III - ACCOUNTING PRINCIPLES AND METHODS

ASSETS

LOANS AND ADVANCES TO CREDIT INSTITUTIONS

These amounts receivable are broken down in the notes as follows:

- demand or term accounts;
- according to their remaining term.

LOANS AND ADVANCES TO CUSTOMERS

OTHER CUSTOMER LOANS AND ADVANCES

These are loans granted to the company's salaried staff. They take two forms:

- capped loans with a maximum term of three years;
- zero-rate cash advances equal to the amount payable into the mutual guarantee fund in respect of the surety for one or more property loans for the duration of the loans guaranteed.

DOUBTFUL LOANS

This item includes all amounts settled in connection with unpaid instalments (principal and interest), penalties and events of default for which Crédit Logement has been subrogated as per its right as initial lender, and those required to launch collection proceedings (expenses and fees).

Where relevant, if it has been established that a debt cannot be recovered, the amount still due is drawn from the mutual guarantee fund in accordance with the regulations of that fund.

According to the abovementioned regulation 2014-07 of 26 November 2014 on the accounting treatment of credit risk in companies overseen by the CRBF, doubtful loans have been divided, on a non-accounting basis, into the following categories:

- doubtful loans;
- non-performing loans.

The definition of each category is described at the end of these notes under off-balance sheet commitments.

Given the existence of the mutual guarantee fund, which covers the loss experience for the guarantee portfolio on residential loans, such doubtful loans are not provisioned.

SECURITIES PORTFOLIO

A distinction is made between four types of securities:

- trading account securities;
- securities held for sale;
- debt securities held to maturity;
- participating interests and interests in affiliated companies.

The presentation of the portfolio in the financial statements for publication is broken down into the following categories:

- bonds and other fixed-income securities;
- shares and other variable-income securities;
- interests in affiliated companies.

TRADING ACCOUNT SECURITIES

Trading account securities are, according to chapter 2, title 3, Book II of the aforementioned regulation 2014-07 of 26 November 2014, either purchased or sold with the intent to re-sell or repurchase them within a short timeframe, or held by an institution for market-making purposes.

They must be negotiable on a liquid market and there must be continuous access to their market prices. All types of securities (regardless of whether they are fixed- or variable-income instruments) may be classified in this category if they satisfy these conditions.

Trading account securities are recognised at their date of purchase at cost, excluding fees and including any accrued interest. The acquisition cost is taken directly to expenses.

The securities are marked to market at the end of every reporting period.

Crédit Logement’s portfolio of trading account securities is composed exclusively of securities received as collateral as part of the exchange of securities.

SECURITIES HELD FOR SALE

Securities held for sale are fixed- or variable-income securities that are not recognised as trading account securities, debt securities held to maturity or as belonging to the type of securities referred to in chapter 5, title 3, Book II of the regulation 2014-07 of 26 November 2014 (equity securities available for sale, other equity securities held for long-term investment, participating interests and interests in affiliated companies).

These securities are recorded at their date of purchase at cost, excluding fees and accrued interest. Securities sold are measured on a first in-first out (FIFO) basis.

At each year-end, the cost price of securities bearing interest is increased or decreased as relevant in order to factor in interest from the difference between the nominal rate for the security applied to the redemption value and the negotiated rate applied to the acquisition price. For the other securities, the cost price equates to the acquisition price.

At year-end, the value of the securities is retained at the lower of the following two values: cost price or market value. If the market value is lower than the cost price, the unrealised capital losses are recognised through an impairment charge. Unrealised capital gains are not recorded.

DEBT SECURITIES HELD TO MATURITY

According to chapter 4 of regulation 2014-07 of 26 November 2014, debt securities held to maturity are fixed-income securities that the company intends to hold through to maturity and that it has made a commitment, at the time of acquisition, to finance through permanent funds.

They are purchased with the clear intention and ability to hold them until maturity. They must not be subject to any existing restriction, legal or otherwise, that may be likely to call into question the intention to hold them until they reach maturity. Their classification as debt securities held to maturity is no obstacle to their designation as instruments hedged against interest-rate risk.

They are booked at their redemption value. The discounts or premiums are amortised or spread over the residual life of the securities, according to the straight-line method. The book value of the securities is thus gradually adjusted to the redemption value. The interest relating to these securities is recognised in the income statement under "Other interest income and equivalent".

Securities that have been reclassified from the "securities held for sale" category are recorded at cost and any previous write-down is reversed over the remaining term of the securities. The intention to hold them to maturity must be clear and they must be covered by permanent funds in order to finance them through to their maturity.

At each year-end, the cost price of the securities is increased or decreased as relevant in order to factor in interest deriving from the difference between the nominal interest rate for the security applied to the redemption value and the negotiated rate applied to the acquisition price. If the market value is lower than the acquisition value adjusted for amortisation and provision reversals linked to the difference between the acquisition cost and the redemption value of the security, no provision for impairment is booked.

An impairment charge is booked if there is a strong probability that the institution will not hold the securities until maturity due to a change in circumstances, for instance, when a downgrade to the issuer's credit quality might compromise the redemption at maturity, in which case the impairment charge is classified under cost of risk. Unrealised capital gains are not recorded.

PARTICIPATING INTERESTS AND INTERESTS IN AFFILIATED COMPANIES

According to chapter 5, title 3, Book II of the regulation 2014-07 of 26 November 2014, these interests group together securities whose long-term ownership is considered useful to the company's operations. Such securities are recorded on the balance sheet at cost.

Investments in companies of a financial nature that may be included within the scope of consolidation are considered as affiliates.

When the fair value of the securities is lower than the acquisition value, any unrealised capital losses are booked through provisions. Unrealised capital gains are not recorded. The fair value is determined based on a set of economic criteria (estimated net asset value, profitability and outlook for profitability, cost price, revalued net position, etc.).

FIXED ASSETS

Pursuant to CRC regulations 2002-10 and 2004-06, accounting rules have been in effect with regard to asset definition, valuation and impairment since 1 January 2005.

Our institution opted for the "forward-looking" simplification measure set out in Article 17 of regulation 2004-06, repealed and replaced by ANC regulation 2014-03.

Tangible fixed assets in respect of buildings have been divided using the simplified re-allocation method, by component, based on the net book values at 1 January 2005.

The change in method in 2005 has had no impact on either net assets or taxable income.

An inventory of the components was drawn up with the assistance of an external firm.

Fully depreciated fixed assets were not restated.

Taking into account the nature of our fixed assets, only four components have been used, namely:

- structural components;
- roof/facade;
- technical equipment;
- fixtures and fittings.

They are depreciated as follows.

Depreciation/Amortisation	Method	Period
Assets under construction	N/A	
Intangible fixed assets		
Lease	N/A	
Software	Straight-line	1, 3, 4.5 or 10 years
Tangible fixed assets		
Land	N/A	
Structural components	Straight-line	150 years from 1 Jan. 1945
Roof/facade	Straight-line	30 years
Vehicles	Straight-line	4 years
Office equipment	Straight-line	5 years
Technical equipment	Straight-line	5 to 10 years
Furniture	Straight-line	5 to 10 years
Computer hardware	Straight-line	3, 4 or 5 years
Technical equipment	Straight-line	5 to 20 years
Fixtures and fittings	Straight-line	10 years

ACCRUALS AND OTHER ADJUSTMENTS: ASSETS

This essentially relates to accrued income on guarantees, with a different tariff structure. Payment of the guarantee commission does not become due until the release of the guarantee and the commission is drawn from the returned portion of mutual guarantee fund payments at the end of the guarantee.

This item also includes margin calls paid in cash in respect of adjustments to forward financial instruments as well as the accrued income and losses to be amortised on these instruments.

LIABILITIES

AMOUNTS DUE TO CREDIT INSTITUTIONS

In accordance with Article L.211-38 of the French monetary and financial code (*Code Monétaire et Financier* - CMF), cash guarantee deposits may be put in place for financial guarantee agreements. Regular adjustments are made on a quarterly basis in respect of the master agreement.

AMOUNTS DUE TO CUSTOMERS

OTHER AMOUNTS DUE

These include amounts payable to customers, either in relation to the return of mutual guarantee fund payments, overpayments received on guarantee fees, or amounts for which the allocation is still being determined.

The amounts that are due in respect of the return of mutual guarantee fund payments owed to borrowers, whose loans have terminated according to information that is unchallenged by the lending banks, and are held by Crédit Logement, and for which the banks cannot find the original borrowers, are taken to "Other Amounts Due – Segregated Amounts".

OTHER LIABILITIES

These are liabilities on security repurchase agreements and borrowed securities as well as other amounts due, which break down as follows:

- sums to be paid back for the collection activity on behalf of third parties, which only become available at the end of the collection or payback period;
- sums payable to suppliers (invoices for general expenses or fixed assets);
- sums due to staff and employee profit-sharing;
- tax and social security liabilities.

In accordance with Article L.441-6 paragraphs 8 and 9 of the French commercial code (*Code de Commerce*), the settlement deadline for amounts due falls either on the 30th day following the receipt of goods or delivery of the requested service, without exceeding 45 days from the end of the month, or on the 60th day following the invoice date.

The balance of trade payables, broken down by due date, is contained in the notes.

ACCRUALS: LIABILITIES

In response to the continuous guarantee service practised by our company, guarantee commissions are accrued on a monthly basis (taking into account the number of days in the month) based on a constant that is equal to the total amount of commission payable on a contract, divided by the duration of the loan expressed in years, multiplied by a factor F, incorporating adjustments for the first and final year.

This formula makes it possible to match the rate of staggered allocation of commissions to the rate of incurrence of expenses attributable to the transactions in question.

Prepaid income relates to guaranteed loans on which the guarantee commission is payable as soon as the loan is put in place by the lender.
Deferred income relates to guaranteed loans on which the guarantee commission is payable at the end of the loan. The receivable relating to the guarantee commission is recorded as an asset under "income receivable" and the corresponding amount will be drawn from the returned mutual guarantee fund amount on normal or early termination of the loan.

This item is also used to recognise the amount of cash guarantees received to cover positive interest rate swap valuations in accordance with the French banking federation's (*Fédération Bancaire Française* - FBF) master agreement on forward financial transactions entered into with our counterparties or in accordance with the swap clearing arrangements set up in June 2019.

PROVISIONS FOR LIABILITIES AND CHARGES

These notably include provisions for litigation and the risk of having to pay compensation, damages and legal fees in respect of ongoing proceedings or those subject to appeal.

A provision is set aside:

- if the company has an actual obligation towards a third party at the reporting date;
- and if, at the reporting date, it is probable that the company will have to make a payment to this third party, without receiving at least an equivalent consideration from the third party after the reporting date;
- and if it is possible to reliably estimate this disbursement.

MUTUAL GUARANTEE FUND

In accordance with regulation 2014-07 of 26 November 2014 on the financial statements of companies in the banking sector, approved by the aforementioned order of 26 December 2014, mutual guarantee funds are grouped together under "Subordinated debt".

The guarantee system used by Crédit Logement is based on the principle of the pooling of risk, through which each borrower pays into a mutual guarantee fund that is intended to take the place of any borrower who defaults on loan repayments, on a partial basis in the case of unpaid instalments and in full when an event of default has been recorded.

In accordance with the mutual guarantee fund regulations, the contribution of each borrower may be returned once Crédit Logement's commitment has been released. The returned amount will be proportional to the fraction not used in litigation in connection with defaulting borrowers.

The calculation of the return rate takes into account the prudentially measured risk of non-repayment across all borrowers paying into the fund (ex-ante provisioning) as well as the expected recovery rate on doubtful loans.

An amended version of the regulations of the mutual guarantee fund, applicable since 1 January 2014, renders the return of payments into the fund subject to the prior agreement of the ACPR and the Board of Directors. The fund also covers other recognised losses in proportion to its weight in the regulatory capital.

SUBORDINATED SECURITIES AND EQUITY LOANS

These instruments were issued in accordance with Article L.228-97 of the French commercial code and with the law of 1 August 2003 (No. 2003-706). In the event that the company is liquidated, the nominal value of the liabilities will be repaid according to the seniority of the debt: first, unsecured debt, then Tier 2 debt, followed by equity loans and, lastly, Tier 1 debt.

1. Undated deeply-subordinated bond issue, with no step-up clause (Tier 1) - FR0010301713

16,000 undated deeply-subordinated securities with a par value of €50,000 were issued on 16 March 2006, in accordance with Article 2 of CRBF regulation 90-02 of 2 February 1990, and can be incorporated into additional Tier 1 capital. However, since they do not satisfy all the criteria laid down in Regulation (EU) No. 575/2013, they are subject to grandfathering.

On 28 November 2017, 9,475 securities were redeemed for €473,750,000. There are therefore 6,525 such securities outstanding in the amount of €326,250,000.

They include:

- an early call option, at the exclusive initiative of the issuer, which can be exercised quarterly from 16 March 2011, subject to the prior approval of the ACPR;
- trading on Luxembourg's EURO MTF market, following the transfer in November 2017 of the Luxembourg regulated market.

Subordination conditions

Interest is payable annually in arrears on 16 March of each year, at a fixed rate of 4.604% until 16 March 2011, and then quarterly in arrears at the 3-month Euribor rate plus 115bp. However, should financial circumstances dictate, in order for the company to pursue its business, the company may defer the payment of the corresponding interest amounts, which may be offset, together with the principal, against any losses incurred by the company.

2. Dated bond issue (lower Tier 2) – FR 0011000231

5,000 dated subordinated bonds were issued with a par value of €100,000 on 16 February 2011, in accordance with Article 2 of CRBF regulation 90-02 of 23 February 1990, and can be included in the Tier 2 capital base. However, as they do not satisfy all the criteria laid down in Regulation (EU) No. 575/2013, they are subject to grandfathering.

On 28 November 2017, 2,220 securities were redeemed for €222,000,000. There are therefore 2,780 such securities outstanding in the amount of €278,000,000.

They are traded on Luxembourg's EURO MTF market, following the transfer in November 2017 of the Luxembourg regulated market. Interest is payable quarterly in arrears on 16 February of each year, at a fixed rate of 5.454%.

3. Dated bond issue (lower Tier 2) – FR 0013299468

5,000 dated subordinated bonds were issued with a par value of €100,000 on 28 November 2017, in accordance with Article 63 of Regulation (EU) No. 575/2013, transposed into French law for financial institutions (*sociétés de financement*) by the order of 23 December 2013, and can be included in the Tier 2 capital base.

They are traded on Luxembourg's EURO MTF market. Interest is calculated annually in arrears on 28 March, at a fixed rate of 1.35% until 28 November 2024, and annually in arrears at the 5-month mid-swaps rate plus 90bp up to 2029.

4. Equity loans

Equity loans, granted to the company by its shareholders and partners, are incorporated into the Tier 2 capital base.

It was possible to pay back undated equity loans after eight years, on the sole initiative of the borrower, and subject to prior approval by the ACPR. The loans granted on 30 June 2011 and 30 December 2011 were therefore repaid on 30 December 2019. These equity loans did not satisfy all the criteria laid down in Regulation (EU) No. 575/2013 and were therefore subject to a grandfather clause.

There are now two types of equity loans:

- equity loans that were amended in 2014 and have a twelve-year term but may be paid back after five years on the sole initiative of the borrower, and subject to prior approval by the ACPR. These loans satisfy all the criteria laid down in Regulation (EU) No. 575/2013 and are incorporated in full into the Tier 2 capital base;
- equity loans that were granted on 30 June 2019 and 30 December 2019 and have a twelve-year term but may be paid back after five years on the sole initiative of the borrower, and subject to prior approval by the ACPR. These loans satisfy all the criteria laid down in Regulation (EU) No. 575/2013 and are incorporated in full into the Tier 2 capital base.

FUND FOR GENERAL BANKING RISK

A provision is set aside for general banking risks, as provided for under Article 1121-3 of ANC regulation 2014-07, in order to cover general risks linked to the banking activity.

The fund for general banking risks includes general provisions that have not been set aside to cover various expenses or probable, clearly-identified risks.

SHAREHOLDERS’ EQUITY

SHARE CAPITAL

In accordance with the combined general meeting of the shareholders of 9 May 2012, the share capital is composed of 17,997,861 ordinary shares of €70 each, fully paid up. These new shares are eligible for dividend distribution as from 1 January 2012. The entitlements conferred by each share have been set as follows.

Distribution of earnings in accordance with Article 18 of the articles of association

“The shareholders may decide at general meetings to deduct from the distributable income any amount to be allocated to retained earnings or to the creation of any extraordinary reserve, contingency fund or other fund with a specific assignment or otherwise.

The shareholders may vote at the general meetings held to reviewing the annual financial statements to grant each shareholder an option to receive in cash or in shares all or part of the dividend or interim dividends to be paid out.”

OFF-BALANCE SHEET COMMITMENTS:

GUARANTEE COMMITMENTS AT THE REQUEST OF CUSTOMERS

FINANCIAL GUARANTEES

The guarantee offered by Crédit Logement is arranged as part of services contracts signed in the form of bank guarantees in the context of an auction. It is recognised at an amount corresponding to a maximum of 10% of the amount of the upset price and cannot be lower than €3,000.

The guarantee is valid for an undated period and expires, depending on the case:

- on the day of the auction, from the purchase by a third party other than the principal in the guarantee arrangement;
- on the date of payment of the auction price and associated fees, when the auction is in favour of the principal in the guarantee arrangement.

Crédit Logement provides bank guarantees for the benefit of the regional court at the request and on behalf of its customer and books this guarantee under off-balance sheet commitments.

GUARANTEE ON LOANS DISTRIBUTED BY OTHER CREDIT INSTITUTIONS

The guarantee offered by Crédit Logement, in the form of a joint and several guarantee covering residential loans to retail customers, is recognised at an amount corresponding to the principal still due by the borrowers at the end of each year.

In accordance with regulation 2014-07 of 26 November 2014, commitments relative to guarantee agreements entered into have been broken down into the following categories:

- sound loans;
- sound restructured loans;
- doubtful loans;
- non-performing loans;
- doubtful loans through contagion.

The exposures have been categorised according to the following criteria:

- sound loans. All loans that do not meet the conditions for classification as "doubtful", including:
  - . the first three unpaid instalments before a guarantee is called, which are taken to off-balance sheet guarantee commitments. This amount is calculated by obtaining from our main partners the delinquency rates at one month, two months and three months and applying, using a conservative approach, the maximum rates obtained to all sound loans under off-balance sheet commitments;
  - . guarantee *agreements at the request of customers not yet arranged, which have been taken to off-balance sheet commitments since 2013;*
- sound restructured loans. Commitments that have been restructured on non-market terms. They have been identified and must remain in this category until the final instalment, except in cases of failure to comply with the agreed terms and conditions, in which case, they will be transferred directly to non-performing loans;
- doubtful loans. All commitments with a recognised credit risk in the following cases:
  - . existence of one or more past-due payments for a period of at least three months;
  - . knowledge of a deteriorated financial position for a counterparty, even those for which no past-due payment has been previously recorded;
  - . existence of litigation procedures between the institution and the counterparty.

  A return to sound loan status is only warranted if regular repayments have resumed in the amounts corresponding to the initial contractual instalments, or on market terms.
- non-performing loans. This category includes the following commitments:
  - . any commitments that have been treated as doubtful for one year and for which no return to sound loan status is foreseeable, or for which an event of default has been recorded;
  - . any failure to honour the repayment schedule drawn up for a restructured loan (restructured sound loans);

- doubtful loans through contagion. The classification of a counterparty into one of the two doubtful categories automatically results in an identical status being assigned to all the sound and sound restructured loans granted to that counterparty.

GUARANTEE COMMITMENTS RECEIVED

COMMITMENT TO REPLENISH THE MUTUAL GUARANTEE FUND

Commitment given by Crédit Logement's shareholders and/or partners in proportion to their guaranteed commitments to replenish the mutual guarantee fund under the rules applying to payments made into the fund prior to 1 January 2014, should the fund be depleted. This joint commitment is updated on a half-yearly basis.

COMMITMENTS IN RESPECT OF FORWARD FINANCIAL INSTRUMENTS

Recording and qualification principles for a transaction

Transactions in forward financial instruments outstanding at the reporting date are taken to off-balance sheet commitments. Transactions in interest rate and foreign exchange forward financial instruments are recorded in accordance with the provisions of regulation 2014-07 of 26 November 2014.

Although not incorporated into reportable off-balance sheet commitments, the amounts taken to off-balance sheet commitments corresponding to the nominal value of commitments are detailed in note A13. They represent the volume of transactions and not the risks that are associated with them.

Amounts corresponding to commitments in respect of interest rate forwards traded over-the-counter are taken to off-balance sheet commitments at their nominal value.

A position category is assigned as soon as a transaction is arranged:

- isolated open positions: contracts classified in isolated open position portfolios are valued at the lower of the acquisition price or their market value. Unrealised capital gains are not recognised and a provision for risk on unrealised capital losses is only set aside when there is a counterparty risk;
- micro-hedging transactions: in micro-hedging transactions, the expenses and income relative to the forward financial instruments used, assigned from the outset to an item or to a consistent set of identified items, are recognised in income so as to match them with the income and expenses recognised on the hedged positions;

- macro-hedging transactions: in macro-hedging transactions, the expenses and income are recognised in the income statement on a time-apportioned basis.

The adjustments recognised on the conclusion of a contract are taken to the income statement over the lifetime of the contract. When a contract is terminated or transferred, or replaced by another contract, the arising adjustments are immediately taken to the income statement. They are amortised on a time-apportioned basis for macro-hedging and micro-hedging transactions.

The expenses and income are recognised in the income statement on a time-apportioned basis. The offsetting entry is booked under accruals until the collection or disbursement date.

The valuation rules are laid out in the counterparty master agreement covering the transaction, according to generally-applicable market rules.

If the difference is negative, a provision for liabilities and charges is set aside to cover an isolated open position, or to cover a micro-hedging position when the unrealised gain on the hedged position is recognised.

FIRM TRANSACTIONS IN INTEREST-RATE INSTRUMENTS

Hedging transactions

Crédit Logement has entered into hedging swaps (seller floating rate / buyer fixed rate), commonly known as interest-rate swaps, with a view to rendering its earnings insensitive to short-term interest rates. These are booked according to the categories provided for in title 5 of regulation 2014-07 of 26 November 2014 on the financial statements of companies in the banking sector.

Mechanism of credit risk mitigation on cash investments

This mechanism is intended to hedge the risk of financial loss in the event that a counterparty to a financial instrument fails to fulfil its contractual obligations.

To mitigate this risk, Crédit Logement has opted to enter into "FBF" master collateralisation agreements on derivatives with bank counterparties, which provide for the netting of exposures and regular margin calls (cash deposit), making it possible to reduce its actual exposure. Regular adjustments are made on a daily basis under the master agreement.

OTHER SECURITIES RECEIVED AS COLLATERAL

Financial guarantee master agreements put in place in 2013 stipulate the conditions under which partner banks, which are the counterparties to the investments of Crédit Logement, must pledge to it eligible assets within the framework of Article L.211-38 of the French monetary and financial code.

These guarantees, given by counterparties in the form of pledges, can take a number of forms:

- cash deposits in our books (these sums are recorded in the form of cash guarantees under liabilities);
- cash accounts opened in the name of our counterparty and pledged to us;
- eligible securities traded in euros;
- claim on Crédit Logement - equity loans;
- claims eligible according to the criteria defined in the agreement, resulting from loans, credit or financing for legal entities.

Regular quarterly adjustments are made to the collateral under the master agreement.

OTHER INFORMATION

Overall remuneration amount allocated during the financial year – principles and criteria used to determine the elements constituting the total remuneration paid to the members of management (Chairman of the Board, directors and members of senior management).

The off-balance sheet commitments in respect of the Chairman, the directors and all members of management concern property loan guarantee transactions, without being subject to any special terms and conditions relating to their management function.

As a member of the Board of Directors, the Chairman only receives remuneration in respect of which the terms and conditions were approved by the Board at its meeting of 3 April 2013. Accordingly, the Chairman received €3,900 in the financial year ended 31 December 2020. This remuneration is paid based on the effective attendance rate at Board meetings. The Chairman receives one and a half times this remuneration.

The remuneration paid to senior members of management (Chief Executive Officer and Deputy Chief Executive Officers) is set by the Board of Directors based on a recommendation by the Remuneration Committee. This committee examines the remuneration packages at least once every year, even when there have been no modifications.

The remuneration packages contain a fixed component (corporate office, and salary for the Deputy Chief Executive Officers alone) and a variable component that is capped in proportion to the fixed component.

The fixed component of the remuneration package intended for the Chief Executive Officer and the Deputy Chief Executive Officers is designed to be attractive in order to appeal to and secure high-quality candidates, in keeping with market practices for such positions and levels of responsibility, and according to the company’s own circumstances. The Remuneration Committee may, for instance, draw on the practices in place at comparable companies within French banking groups.

As regards the variable remuneration component, an annual bonus may be paid, subject to the company’s earnings. This bonus is capped at 25% of the gross annual fixed remuneration paid to the Chief Executive Officer and 20% of the gross annual fixed remuneration paid to the Deputy Chief Executive Officers. The bonus amounts are set by the Chairman of the Board, acting on behalf of the Remuneration Committee to which he reports, and depend on business volumes and earnings, quality of operational management, risk control, budget implementation and quality of internal control.

At the proposal of the Remuneration Committee, the Board of Directors may order the payment of a special exceptional bonus for the completion of specific projects.

The Deputy Chief Executive Officers' employment contracts stipulate that they may receive payments in respect of the statutory and discretionary profit-sharing schemes.

Lastly, the company officers may benefit from a top-up pension plan, introduced further to a 2007 decision by the Board of Directors (cf. detailed terms in C4 of the notes), as well as a company car, added back as a benefit in kind.

At its meeting of 7 April 2016, the Board of Directors decided to extend the scope of "regulated staff" to include not only members of management but also the head of the risk management function, the head of audit and internal control, managing members of staff performing control duties within these two departments and managers in charge of control within the operational divisions.

These members of staff may receive an individual variable bonus in addition to the fixed component of their remuneration (salary). This bonus is capped depending on hierarchical rank, always below the thresholds set for members of Executive Management.

They may also receive payments in respect of the statutory and discretionary profit-sharing schemes.

EMPLOYEE BENEFITS

Commitments relating to post-employment benefits and the supplementary pension scheme for senior members of staff (collective defined-benefit supplementary pension insurance policy covering all senior members of staff under certain conditions) are covered by collective funds managed by an insurance company.

Crédit Logement makes regular contributions to these funds. There is no obligation to set aside a provision in the accounts for any difference between the actuarial value of such commitments and the value of the funds managed by the insurance company.

CONSOLIDATION SCOPE

Companies that do not qualify as significant in accordance with the criteria set out in the applicable regulations are not included in the scope of consolidation.

SNC Foncière Sébastopol is therefore not consolidated.

Accordingly, Crédit Logement does not prepare consolidated financial statements.

NOTES

NOTES A: INFORMATION ON THE BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

NOTES B: INFORMATION ON THE INCOME STATEMENT

NOTES C: OTHER INFORMATION

NOTE A - INFORMATION ON THE BALANCE SHEET AND OFF-BALANCE SHEET ITEMS (in thousands of euros)

NOTE A 1 - LOANS AND ADVANCES AND BREAKDOWN BY RESIDUAL TERM

	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
CREDIT INSTITUTIONS	**815 587**	**488 949**	**1 691 260**	**2 813 129**	**5 808 925**
Demand accounts	311 637				311 637
Term accounts	500 000	480 000	1 684 300	2 813 129	5 477 429
Accrued interest	3 950	8 949	6 960		19 859
LOANS AND ADVANCES TO CUSTOMERS	**1 251 513**	**59**	**119**	**381**	**1 252 072**
Other customer loans and advances	23	59	119	381	582
Doubtful loans	1 251 490				1 251 490
BONDS AND OTHER FIXED-INCOME SECURITIES	**235 821**	**439 018**	**1 456 440**	**1 520 793**	**3 652 072**

NOTE A 2 - BREAKDOWN OF LOANS AND ADVANCES

	Affiliated companies	Equity interests	Other companies	Retail customers	Total
LOANS AND ADVANCES TO CREDIT INSTITUTIONS		5 754 015	54 910		5 808 925
LOANS AND ADVANCES TO CUSTOMERS			265 312	986 760	1 252 072
BONDS AND OTHER FIXED-INCOME SECURITIES		2 560 332	1 091 740		3 652 072

NOTE A 3 - LOANS AND ADVANCES TO CUSTOMERS

NOTE A 3-1 - CHANGES IN CUSTOMER OUTSTANDINGS

	31/12/2019	Releases / Disbursements	Repayments / Collections	Write-offs	31/12/2020
Cash loans - loans to staff	571	175	164	0	582
Doubtful loans	1 325 898	176 379	186 906	63 948	1 251 423
Other third party doubtful loans	616				616
Impairment of other third party doubtful loans	-549				-549
TOTAL	**1 326 536**	**176 554**	**187 070**	**63 948**	**1 252 072**

NOTE A 3-2 - CREDIT RISK: BREAKDOWN BY EXPOSURE CATEGORY

	Sound loans	o/w restructured loans	Doubtful loans	o/w non-performing loans	Total outstandings
Cash loans - loans to staff	582				582
Doubtful loans			1 251 490	1 240 288	1 251 490
TOTAL	**582**	**0**	**1 251 490**	**1 240 288**	**1 252 072**

NOTE A 4 - SECURITIES PORTFOLIO

NOTE A 4-1 - BREAKDOWN OF SECURITIES PORTFOLIO

	Acquisition value				Market or net asset value	Redemption value
	Issued by public agencies	Other issuers: listed	Other issuers: unlisted	Other issuers: Total		
BONDS AND OTHER FIXED-INCOME SECURITIES						
Trading account securities - Securities borrowed		93 662		93 662	93 662	
Trading account securities	**0**	**93 662**	**0**	**93 662**	**93 662**	
Securities received under repurchase agreements		271 000		271 000	281 268	
Accrued interest		680		680		
Securities received under repurchase agreements	**0**	**271 680**	**0**	**271 680**	**281 268**	
Bonds	1 073 811	2 199 520		2 199 520	3 389 018	3 206 200
Accrued interest	5 482	7 917		7 917		
Debt securities held to maturity	**1 079 293**	**2 207 437**	**0**	**2 207 437**	**3 389 018**	**3 206 200**
SHARES AND OTHER VARIABLE-INCOME SECURITIES						
Trading account securities - Securities borrowed		477 839		477 839	477 839	
Trading account securities	**0**	**477 839**	**0**	**477 839**	**477 839**	
UCITS		171 664		171 664	171 568	
Impairment provision		-258		-258		
Securities held for sale	**0**	**171 406**	**0**	**171 406**	**171 568**	
Interests in affiliated companies			1 649	1 649	1 649	
PARTICIPATING INTERESTS	**0**	**0**	**1 649**	**1 649**	**1 649**	
TOTAL SECURITIES PORTFOLIO	**1 079 293**	**3 222 024**	**1 649**	**3 223 673**	**4 415 004**	

NOTE A 4-2 - EQUITY INTERESTS AND INTERESTS IN AFFILIATED COMPANIES

	% interest	Share capital *	Shareholders' equity other than share capital *	Earnings *	Gross carrying amount	Net carrying amount
Other securities						
SNC Foncière Sébastopol	100	15	-	-160	15	15
Partner advances and current accounts						
SNC Foncière Sébastopol					1 634	1 634
INTERESTS IN AFFILIATED COMPANIES					**1 649**	**1 649**

* Data as at 31/12/2020

NOTE A 5 - FIXED ASSETS

GROSS FIXED ASSETS	Gross value at beginning of year	Acquisitions	Disposals or internal transfers	Gross value at end of year	Net value at end of year
INTANGIBLE FIXED ASSETS	**48 788**	**5 718**	**-15 050**	**39 456**	**11 489**
Assets under construction	3 269	2 127	-1 144	4 252	4 252
Software and licenses	45 519	3 591	-13 906	35 204	7 237
TANGIBLE FIXED ASSETS	**32 772**	**970**	**-579**	**33 163**	**12 552**
Assets under construction	558	574	-523	609	609
Land	2 909			2 909	2 909
Structural components of buildings	5 499			5 499	3 357
Roof/facade	2 172			2 172	217
Office equipment	402	11		413	27
Club Affaires machinery and equipment	79		0	79	14
Office furniture	1 618	81	5	1 704	384
Club Affaires furniture	123			123	35
Computer hardware	3 406	168	-22	3 552	938
Fixtures and fittings - non building	5 412	53		5 465	328
Fixtures and fittings - building	4 371	63	35	4 469	1 056
Technical equipment	6 223	20	-74	6 169	2 678
TOTAL	**81 560**	**6 688**	**-15 629**	**72 619**	**24 041**

DEPRECIATION, AMORTISATION OR PROVISIONS	Opening balance	Charges	Reductions	Closing balance
INTANGIBLE FIXED ASSETS	**39 756**	**3 846**	**-15 635**	**27 967**
Software and licenses	39 756	3 846	-15 635	27 967
TANGIBLE FIXED ASSETS	**19 711**	**1 411**	**-511**	**20 611**
Land	0			0
Structural components of buildings	2 093	49		2 142
Roof/facade	1 870	85		1 955
Office equipment	345	41		386
Club Affaires machinery and equipment	71	4	-10	65
Office furniture	1 249	71		1 320
Club Affaires furniture	88			88
Computer hardware	2 667	339	-392	2 614
Fixtures and fittings - non building	4 884	253		5 137
Fixtures and fittings - building	3 223	225	-35	3 413
Technical equipment	3 221	344	-74	3 491
TOTAL	**59 467**	**5 257**	**-16 146**	**48 578**

All buildings are exclusively used for the exercise of Crédit Logement's own activities

NOTE A 6 - OTHER ASSETS AND ACCRUALS

	31/12/2020	31/12/2019		31/12/2020	31/12/2019
Deposit guarantee fund (*FGDR*)	4	4	Forward financial instrument adjustment accounts (cash margin calls)	55 539	59 152
Deposits and bonds given	221	212	Currency adjustment accounts	1	16
Guarantee deposit paid	790		Losses to be amortised on forward financial instr.	2 844	3 345
Amounts in respect of tax and social security payments	2 988	8	Prepaid expenses	1 355	872
Sundry debtors (staff)	79	68	Expenses to be spread forward	26	182
Other sundry debtors (customers)	1 174	1 168	Accrued income on guarantees	466 282	456 041
Other sundry debtors (other)	26	36	Accrued income on forward financial instruments	11 571	11 250
			Miscellaneous accrued income	2	4
			Other accruals	18	6 499
Other assets	**5 282**	**1 496**	**ACCRUALS**	**537 638**	**537 361**

NOTE A 7 - AMOUNTS DUE TO CREDIT INSTITUTIONS AND CUSTOMERS

	31/12/2020	31/12/2019
Accounts and borrowings		
- Deposits of cash collateral	5 339	6 255
- Accrued interest	353	188
Credit institutions	**5 692**	**6 443**
Other amounts due - including segregated amounts	12 939	9 575
Customers	**12 939**	**9 575**

NOTE A 8 - OTHER LIABILITIES, ACCRUALS AND PROVISIONS

	31/12/2020	31/12/2019
Securities and the Repo	121 015	0
Amounts due in respect of tax and social security payments	571 500	587 699
Amounts due in respect of tax and social security payments	3 685	5 084
Sundry creditors (staff)	4 210	4 285
Sundry creditors (suppliers)	2 161	2 483
Amounts payable to staff	2 358	2 292
Other sundry creditors	1 057	1 270
Other liabilities	**705 986**	**603 113**

	31/12/2020	31/12/2019
Prepaid income on guarantees	464 392	439 596
Deferred income on guarantees	288 628	286 640
Accrued expenses on forward financial instruments	11 317	10 343
Gains spread forward on forward financial instr.	63 230	47 612
Currency adjustment accounts	0	15
Forward financial instrument adjustment accounts (cash margin calls)	135 930	125 547
Other accruals	1	16
Accruals	**963 498**	**909 769**

Provisions for liabilities and charges

Category	31/12/2018	Charges	Releases	Release of unused prov.	31/12/2020
Provisions for litigation	857	480	-41	-247	1 049
TOTAL	**857**	**480**	**-41**	**-247**	**1 049**

NOTE A 9 - SHAREHOLDERS' EQUITY AND EQUIVALENTS

NOTE A 9-1 - MUTUAL GUARANTEE FUND

	Opening balance	Incoming	Outgoing	Closing balance
Mutual guarantee fund in euros	6 421 724	697 677	-346 390	6 773 011
Mutual guarantee fund in foreign currency	1 670		-61	1 609
Use of the mutual guarantee fund to cover irrecoverable written-off debt	-358 781	-65 204	1 256	-422 729
Mutual guarantee fund - liabilities	**6 064 613**	**632 473**	**-345 195**	**6 351 891**
Doubtful loans to be recovered - assets	-1 325 898	-176 379	250 854	-1 251 423
Available mutual guarantee fund after doubtful loans	**4 738 715**	**456 094**	**-94 341**	**5 100 468**

Doubtful loans to be recovered - assets	1 325 898	176 379	-250 854	1 251 423
Expected loss on doubtful loans - estimated write-off of irrecoverable debt	-556 946	-59 844	104 108	-512 682
Estimated recovery on doubtful loans	**768 952**	**116 535**	**-146 746**	**738 741**
Mutual guarantee fund after expected loss on doubtful loans	**5 507 667**	**572 629**	**-241 087**	**5 839 209**

NOTE A 9-2 - SUBORDINATED DEBT

SUBORDINATED LOANS	Issue date	Due or early repayment date	31/12/2020		31/12/2019	
			Amount	Accrued interest	Amount	Accrued interest
	30/06/2012	30/12/2026	300 830		300 830	
	30/06/2013	30/12/2026	120 737		120 737	
	30/06/2019	30/06/2031	393 460		393 460	
	30/06/2019	30/12/2031	287 930		288 270	
	30/06/2020	30/12/2031	340			
Dated			1 103 297	2 623	1 103 297	2 605
Total equity loans			**1 103 297**	**2 623**	**1 103 297**	**2 605**
SUBORDINATED SECURITIES	Issue date / Due date	Number of securities				
Perpetual bonds	16/03/2006	6 525	326 250	88	326 250	110
ISIN FR 0010301713 (partial redemption of 9,475 securities on 26/11/2017)	indéterminé					
Redeemable bonds	16/02/2011	2 780	278 000	13 256	278 000	13 251
ISIN FR 0011000231 (partial redemption of 2,220 securities on 28/11/2017)	16/02/2021					
Redeemable bonds	28/11/2017	5 000	500 000	629	500 000	627
ISIN FR 0013299468	28/11/2029					
Total subordinated securities			**1 104 250**	**13 973**	**1 104 250**	**13 988**
TOTAL SUBORDINATED DEBT			**2 207 547**	**16 596**	**2 207 547**	**16 593**

NOTE A 9-3 - FUND FOR GENERAL BANKING RISK AND REGULATORY PROVISIONS

	Opening balance	Charges for the year	Releases for the year	Closing balance
Regulatory provision for medium and long-term credit risks	53 053	0	0	53 053
Fund for general banking risks	610	0	0	610
TOTAL	**53 663**	**0**	**0**	**53 663**

NOTE A 9-4 - CHANGES IN SHARE CAPITAL AND RESERVES

The main shareholders are divided into groups of shareholders containing the parent entity and the subsidiaries that belong to it:

- Crédit Agricole and LCL Le Crédit Lyonnais	32.50 %	- Crédit Mutuel and CIC	10.00 %
- BNP Paribas	16.50 %	- SF2 - Groupe Banque Postale	6.00 %
- Société Générale and Crédit du Nord	16.50 %	- H.S.B.C. Continental Europe	3.00 %
- BPCE / Crédit Foncier de France	15.50 %		

	31/12/2019	Increase / allocation	Decrease / allocation	31/12/2020
The share capital, fully paid-up, comprises: - 17 997 861 ordinary shares	1 259 850	-	-	1 259 850
	1 259 850	**0**	**0**	**1 259 850**
Legal reserve	81 774	5 168		86 942
General reserve	67 238		-	67 238
TOTAL	**149 012**	**5 168**	**0**	**154 180**

NOTE A 10 - RECEIVABLES AND PAYABLES ASSOCIATED WITH EACH BALANCE SHEET ITEM

ASSETS	31/12/2020	31/12/2019	LIABILITIES	31/12/2020	31/12/2019
Credit institutions	19 858	20 147	Credit institutions	353	188
Interests in affiliated companies	5	9	Subordinated debt	16 596	16 593
Bonds and other fixed-income securities	14 080	12 356	Other liabilities: tax and social security liabilities	3 684	5 084
Other assets: tax claims	2 988	8	Accruals:		
Accruals:			- forward financial instruments	11 316	10 343
- guarantees	466 282	456 041			
- suppliers	2	4			
- forward financial instruments	11 571	11 250			
Accrued income	**514 786**	**499 815**	**Deferred expenses**	**31 949**	**32 208**
Accruals:			Accruals:		
- issue costs to be amortised	26	182	- sureties - Initio tariff	288 628	286 640
- suppliers	1 355	872	- sureties - classical tariff	464 392	439 596
Prepaid expenses	**1 381**	**1 054**	**Deferred income**	**753 020**	**726 236**

NOTE A 11 - OFF-BALANCE SHEET COMMITMENTS RECEIVED

	31/12/2019	Changes	31/12/2020
. Counter-guarantee received (from shareholders or otherwise) relative to the commitment to replenish the mutual guarantee fund	1 992 892	-165 953	1 826 939
TOTAL GUARANTEE COMMITMENTS RECEIVED FROM CREDIT INSTITUTIONS	**1 992 892**	**-165 953**	**1 826 939**
Underlying assets on credit linked certificates	130 000	80 000	210 000
COMMITMENTS ON SECURITIES TO BE RECEIVED	**130 000**	**80 000**	**210 000**
Master financial guarantee agreement pursuant to Art. L211-38 of the French monetary and financial code (CMF)			
Listed securities received as collateral	177 784	-21 643	156 141
Claim on Crédit Logement - equity loans	215 732	149 093	364 825
Eligible receivables resulting from loans, credits or funding to legal persons	143 091	-16 991	126 100
ADDITIONAL INFORMATION : OTHER SECURITIES RECEIVED AS COLLATERAL - PLEDGES	**536 607**	**110 459**	**647 066**

NOTE A 12 - OFF-BALANCE SHEET COMMITMENTS GIVEN

NOTE A 12-1 - CHANGES IN COMMITMENTS GIVEN

	31/12/2019	Incoming	Amortisation/diff.	Outgoing	31/12/2020
Guarantees on property loans - Guarantee agreements arranged	374 714 357	69 694 836	-26 595 195	-27 453 902	390 363 058
Estimated unpaid instalments on property loans before call-in of guarantee	31 938		-2 962		28 976
	374 746 295	69 694 836	-26 598 157	-27 453 902	390 392 034
Guarantee agreements not yet arranged	45 935 394		-8 072 630		37 862 764
Guarantee of property loans to retail customers	**420 681 689**	**69 694 836**	**-34 670 787**	**-27 453 902**	**428 254 798**
Financial guarantees	**201**	**56**		**-201**	**56**
GUARANTEE COMMITMENTS AT THE REQUEST OF CUSTOMERS	**420 681 890**	**69 694 892**	**-34 670 787**	**-27 454 103**	**428 254 854**

NOTE A 12-2 - BREAKDOWN BY RESIDUAL TERM

Guarantees at the request of customers	< 3 mois	3 mois à 1 an	1 an à 5 ans	> 5 ans	TOTAL
Guarantees on property loans - Guarantee agreements arranged	208 493	1 521 394	17 389 349	371 243 822	390 363 058
Guarantee commitments not yet implemented		37 862 764			37 862 764
Estimated unpaid installments before call on guarantee	28 976				28 976
Financial guarantees	56				56
TOTAL	**237 525**	**39 384 158**	**17 389 349**	**371 243 822**	**428 254 854**

NOTE A 12-3 - CREDIT RISK : BREAKDOWN BY EXPOSURE CATEGORY

Guarantees at the request of customers	**Sound loans**	o/w restructured loans	**Doubtful loans**	o/w non-performing loans	**Total outstandings**
Guarantees outstandings	389 647 793	336 776	715 265	264 759	390 363 058
Estimated unpaid installments before call on guarantee	28 976				28 976
Guarantee commitments not yet implemented	37 862 764				37 862 764
Financial guarantees	56				56
TOTAL	**427 539 589**	336 776	**715 265**	264 759	**428 254 854**

NOTE A 13 - FORWARD FINANCIAL INSTRUMENTS

Interest rate instruments - over-the-counter	**Notional value**	**Margin call paid / received**	**Market value** (coupon included)	**Market value** (coupon excluded)
Covered by the FBF master agreement	5 386 200	80 391	90 218	90 228
Outside agreement scope	100 000	0	7 384	7 154
TOTAL	**5 486 200**		**97 602**	**97 382**

No transfer between categories was made in 2020

Interest rate instruments - by remaining term	**< 3 mois**	**3 months to 1 year**	**1 to 5 years**	**> 5 years**	**TOTAL**
Firm micro-hedging transactions		50 000	917 200	1 039 000	2 006 200
Firm macro-hedging transactions (fixed rate for buyer)		100 000	1 200 000	2 180 000	3 480 000
TOTAL	**0**	**150 000**	**2 117 200**	**3 219 000**	**5 486 200**

NOTE B - INFORMATION ON THE INCOME STATEMENT (in thousands of euros)

NOTE B 1 - INTEREST INCOME AND EQUIVALENT - INTEREST EXPENSE AND EQUIVALENT

	31/12/2020	31/12/2019
Interest on demand deposit accounts	33	38
Interest on term deposit accounts (counterparty for subordinated loans)	1 257	3 746
Interest on term loans and advances	22 591	32 014
Income on forward financial instruments	54 497	51 784
Transactions with credit institutions	**78 378**	**87 582**
Loans to Crédit Logement staff	1	2
Interest on doubtful loans (late payment interest on guaranteed debt)	5 931	5 871
Transactions with customers	**5 932**	**5 873**
Interest on securities received under repurchase agreements	2 039	1 690
Interest income on debt securities held to maturity	24 872	21 493
Miscellaneous income on securities transactions	1 485	1 227
Interest on bonds and fixed-income securities	**28 396**	**24 410**
TOTAL INTEREST INCOME AND EQUIVALENT	**112 706**	**117 865**
Interest on demand deposit accounts	-105	-76
Interest on Repo	-26	
Interest or balancing payment on term loans	-231	-79
Interest on term account	-3 546	-1 749
Interest on undated subordinated loans and determined	-11 129	-9 616
Interest on subordinated securities	-24 274	-24 569
Interest on cash collateral	0	-64
Expenses on debt securities held to maturity	-5 167	-4 153
Expenses on forward financial instruments	-23 312	-23 924
TOTAL INTEREST EXPENSE AND EQUIVALENT	**-67 790**	**-64 230**

NOTE B 2 - PROCEEDS FROM VARIABLE-INCOME SECURITIES

	31/12/2020	31/12/2019
Interest on partner current account with SNC Foncière Sébastopol	29	38
TOTAL PROCEEDS FROM VARIABLE-INCOME SECURITIES	**29**	**38**

NOTE B 3 - COMMISSION (INCOME AND EXPENSE)

	31/12/2020	31/12/2019
Guarantee commissions relating to off-balance-sheet commitments given on guaranteed property loans	154 370	152 008
TOTAL COMMISSION (INCOME)	**154 370**	**152 008**
Bank commission and fees	-785	-673
Commission and fees on the issue of subordinated securities	-106	-106
TOTAL COMMISSION (EXPENSE)	**-891**	**-779**

NOTE B 4 - GAIN OR LOSS ON TRADING PORTFOLIO AND EQUIVALENT

	31/12/2020	31/12/2019
Loss on foreign exchange transactions	0	-1
Gain on foreign exchange transactions	0	0
TOTAL GAIN OR LOSS ON TRADING PORTFOLIO	**0**	**-1**

NOTE B 5 - GAIN OR LOSS ON INVESTMENT PORTFOLIO AND EQUIVALENT

	31/12/2020	31/12/2019
Capital loss on the disposal of securities held for investment	0	-1 803
Capital gains on the disposals of held for investment	0	2 149
Charges to and reversals of provisions on securities held for investment	-130	1 918
TOTAL GAIN OR LOSS ON INVESTMENT PORTFOLIO	**-130**	**2 264**

NOTE B 6 - OTHER INCOME AND EXPENSE FROM BANKING OPERATIONS

	31/12/2020	31/12/2019
Income from debt collection on behalf of third parties (management and recovery fees)	1 960	2 278
Ancillary income (Crédit Logement Assurance / SNC Foncière Sébastopol)	19	57
Other ancillary income	156	181
Miscellaneous income	1 180	2 092
TOTAL OTHER OPERATING INCOME	**3 315**	**4 608**
Loss on SNC Foncière Sébastopol	-97	-160
Miscellaneous expenses	-345	-231
TOTAL OTHER OPERATING EXPENSE	**-442**	**-391**

NOTE B 7 - GENERAL OPERATING EXPENSES

	31/12/2020	31/12/2019
Salaries and wages	-18 387	-18 510
Social security charges	-8 257	-8 194
Salary-based taxes	-3 247	-3 179
Expenses related to retirement benefits	-2 604	-3 880
Discretionary employee profit-sharing	-394	-416
Statutory employee profit-sharing	-2 358	-2 292
Provisions for litigation	-7	0
Personnel costs	**-35 254**	**-36 471**
Taxes	**-5 335**	**-4 589**
Rentals	-1 424	-1 337
Transport and travel	-60	-149
Other external services	-8 671	-8 672
Provisions for risks and expenses	100	295
External services	**-10 055**	**-9 863**
Other administrative expenses	**-15 390**	**-14 452**
TOTAL GENERAL OPERATING EXPENSES	**-50 644**	**-50 923**

NOTE B 8 - CHARGES TO DEPRECIATION AND AMORTISATION AND FIXED ASSET IMPAIRMENT

	31/12/2020	31/12/2019
Software and licenses	-3 261	-3 156
Intangible fixed assets	**-3 261**	**-3 156**
Structural components	-49	-49
Roof/facade	-85	-85
Office equipment	-41	-39
Club Affaires machinery and equipment	-4	-3
Office furniture	-71	-64
Club Affaires furniture	0	0
Computer hardware	-340	-237
Fixtures and fittings - non building	-253	-324
Fixtures and fittings - building	-224	-223
Technical equipment	-344	-330
Tangible fixed assets	**-1 411**	**-1 354**
TOTAL	**-4 672**	**-4 510**

NOTE B 9 - GAINS OR LOSSES ON FIXED ASSETS

	31/12/2020	31/12/2019
Capital losses on the disposal of fixed assets	-52	-77
Capital gains on disposal of fixed assets	0	0
Capital losses on disposals of equity interests	0	-1 049
Provisions for impairment of participating interests	0	2 158
TOTAL	**-52**	**1 032**

NOTE B 10 - CORPORATE INCOME TAX

	31/12/2020	31/12/2019
On ordinary income	-46 649	-53 099
Additional tax assessment	0	-513
TOTAL *	**-46 649**	**-53 612**
* of which corporate income tax instalments already paid	-49 516	-51 576

NOTE C - OTHER INFORMATION (in thousands of euros)

NOTE C 1 - TOTAL REMUNERATION AMOUNT ALLOCATED FOR THE YEAR

	Remuneration	Advances and loans	Off-balance sheet commitments
To members of all governance bodies *	30		5 738
To all managers	908	22	2 581
- fixed component	692		
- variable component	153		
- benefits in kind and add-back of death, disability and related benefits	63		
To all “regulated” staff members	1 539		

* no benefit or remuneration was paid by subsidiaries during the year

NOTE C 2 - TOTAL STATUTORY AUDITORS’ FEES FOR THE YEAR

	Honoraires
Statutory audit	181
Ancillary services	

NOTE C 3 - AVERAGE WORKFORCE BY OCCUPATIONAL CATEGORY

	31/12/2020	31/12/2019
Management *	2	2
Senior members of staff	245	245
Supervisors	59	60
Employees	24	25
TOTAL	**330**	**332**

* Excluding company officers

NOTE C 4 - OTHER OUTSOURCED EMPLOYEE-RELATED COMMITMENTS

The commitments corresponding to services rendered in respect of the various employee benefit schemes are covered by collective funds administered by external entities.

Supplementary pension schemes for senior members of staff		Benefits in respect of voluntary or compulsory retirement	
Value of the collective fund administered externally	8 962	Value of the collective fund administered externally	2 292
Amount corresponding to actuarial commitments	9 334	Amount corresponding to actuarial commitments	2 361
Collective defined-benefit supplementary pension insurance scheme (Art. 39 of French tax code - *CGI*) Beneficiaries: certain senior members of staff, subject to certain coefficient and seniority-based retirement conditions 2% accrued annually up to a maximum of 20% of the salary paid in the retirement year Bonuses paid by the company are subject to the 24% flat-rate social security contribution *(forfait social)* Projected annual pension to be paid to corporate officers according to article D 225-104-1 or the Frend Code de Commerce : 128		Collective post-employment benefit scheme Beneficiaries: all employees of the company	

Rules and methods
These amounts are updated, by type of contract, according to the “unit cost per year of service” method by an independent actuarial firm based on aggregate or individual information.
Total commitments are calculated over the entire projected careers of the participants.
Actuarial liabilities correspond to commitments updated on the reporting date for each policy.
Post-employment benefits will be paid according to employee seniority under the rules of common law.

NOTE C 5 - SPECIAL-PURPOSE ENTITIES

The company did not hold any interest in a special-purpose entity as at the reporting date.

NOTE C 6 - PROPOSED APPROPRIATION OF EARNINGS

Profit for the year	99 150
Retained earnings from the previous year	98 889
Earnings to be allocated	**198 039**
Breakdown of allocated earnings	
Legal reserve	4 958
General reserve	0
Dividends - shares	30 236
Retained earnings	162 845
TOTAL	**198 039**

FINANCIAL RESULTS
in thousand euros

	2016	2017	2018	2019	**2020**
Financial position at year-end					
Share capital	1 259 850	1 259 850	1 259 850	1 259 850	**1 259 850**
Number of shares issued	17 997 861	17 997 861	17 997 861	17 997 861	**17 997 861**
Total earnings for effective operations					
Revenues (net of tax)	274 870	345 475	266 189	276 668	**270 705**
Earnings before tax, depreciation and provisions	168 915	187 479	155 720	157 121	**150 793**
Corporate income tax	56 452	66 205	48 375	53 612	**46 649**
Earnings after tax, depreciation and provisions	107 795	120 607	102 486	103 369	**99 150**
Profit distributed	102 408	264 568 **	246 571	0	**30 236**
Earnings per share for operations (in euros)					
Earnings after tax but before depreciation and provisions	6.25	6.74	5.96	5.75	**5.79**
Earnings after tax, depreciation and provisions	5.99	6.70	5.69	5.74	**5.51**
Dividend per share	5.69	14.70 **	13.70	0.00	**1.68**
Workforce					
Average headcount*	316	325	328	332	**330**
Payroll	17 036	17 769	17 447	18 510	**18 387**
Staff benefits	10 923	10 921	10 587	12 073	**10 861**

* Without managing director

** including distribution in December 2018 of part of the retained earning as at 31 december 2017

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