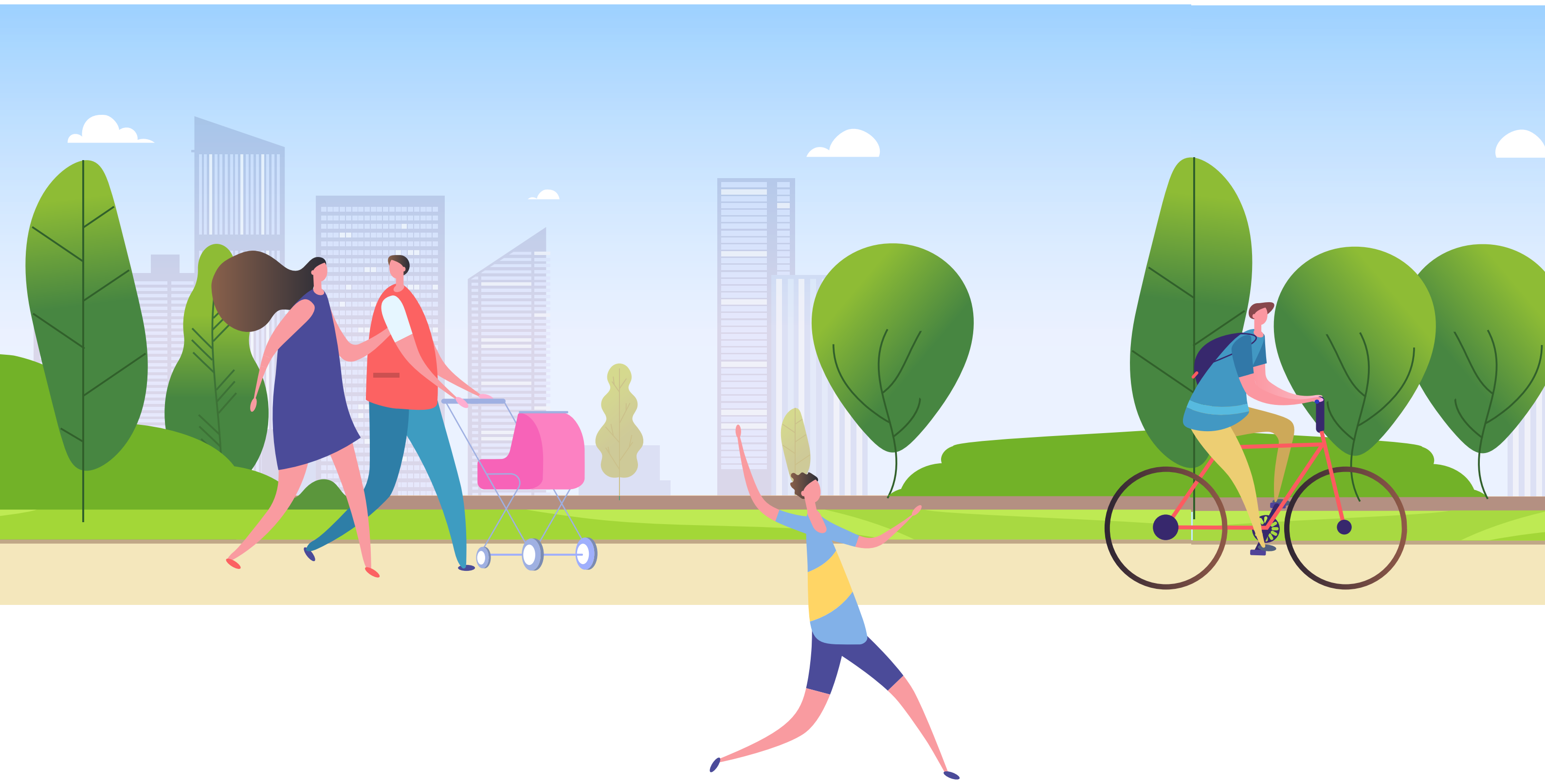
ANNUAL REPORT 2019



CRÉDIT LOGEMENT

A MESSAGE FROM THE EXECUTIVE MANAGEMENT TEAM

2019 was an excellent year for Crédit Logement.

With more than €127 billion in guarantee agreements delivered during the year, we topped the previous record of €122 billion set in 2016.

Historically-low interest rates combined with longer loan terms have galvanised the property financing market, propelled by the momentum in the property market itself.

The excellent credit terms offered by banks have enabled younger borrowers and those in lower income brackets to buy a home.

With interest rates staying low throughout the year, there was a new round of loan renegotiation and refinancing in the second half of the year. While on a smaller scale than before, the volumes were significant nonetheless.

Stripping out loan refinancing, production increased in 2019. The proportion of loan refinancing also rose.

Strong business volumes throughout the year sent guaranteed loans even higher to almost €375 billion at the end of 2019.

Banks had anticipated the recommendations issued by the *Haut Comité de Stabilisation Financière* (high council for financial stability) at the end of December, which centred on the loan terms provided for in financing plans, as well as the maximum acceptable loan amount levels as a percentage of borrowers' income.

Consequently, from December 2019, the average loan term shortened from 232 months to 228 months. The data for the first quarter of 2020 also points to a significant increase in the down payment rate, which was up by 12.4% year-on-year at the end of March 2020.

At the time of publication of this annual report, France has been in the grips of the COVID-19 crisis for over a month. Having observed the effects of the epidemic in Asia in January 2020, we took steps at Crédit Logement to prepare to trigger our "pandemic" contingency and business continuity plan.

Thanks to an extremely flexible IT architecture and an organisation that is based on digitalised processes, we were able to introduce telecommuting arrangements from day one for 98% of our staff, without any change in the manner in which we operate.

We have continued to work alongside our partner banks from the very beginning to provide a virtually normal service. We also immediately introduced simplified processes for our partner banks to handle payment stays and deferrals for borrowers. Our sales teams have since been in touch with their contacts every day to assist them with any more specific requests they may have.

As a specialist in property risk involving private individuals, Crédit Logement ensures that residential property financing is secure through the loans that it guarantees.

While the present situation has a different origin and is not of the same magnitude as any other situation observed or foreseen with the EU-wide stress-testing exercises, Crédit Logement is equipped to handle the expected increase in the risks associated with this major crisis.

BOARD OF DIRECTORS

Olivier BÉLORGEY,
Chairman
Finance Director and Member of the Executive Committee
of Crédit Agricole CIB**.**
Head of Finance and Treasury Groupe Crédit Agricole

Yves MARTRENCHAR,
Honorary Chairman.

BNP PARIBAS,
represented by Stanislas de MALHERBE,
Director of Programmes Executive Management
and Finance Department.

LCL – LE CRÉDIT LYONNAIS,
represented by Grégory ERPHELIN,
Director of Finance, legal affairs,
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
Confédération Nationale du Crédit Mutuel.

BPCE,
represented by Sylvain PETIT
Head of Strategy.

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

* Successor of Benoit CATEL

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

HSBC France,
represented by Vincent de PALMA,
Head of Transformation and Modernisation
for retail banking Operations.

Mr Éric PINAULT,
Head of the Finance and Risk Department
at Fédération Nationale du Crédit Agricole.

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 Retail Banking in France
at Société Générale.

** Successor of Jean-Marc TASSAIN
*** Successor of Dominique FIABANE

STATUTORY AUDITORS

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

Deloitte & Associés,
represented by Sylvie BOURGUIGNON

Share capital at December 31, 2019

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	**29 697**	**2 078 789**	**16,5003%**
Crédit Agricole	**28 795**	**2 015 683**	**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%**
Groupe BPCE	**1 530 063**	**107 104 410**	**8,5014%**
Crédit Foncier de France	**1 258 022**	**88 061 540**	**6,9898%**
Crédit Mutuel / CIC	**1 799 788**	**1 259 852**	**10,0000%**
SF2 - Groupe La Banque Postale	**1 079 944**	**75 596 080**	**6,0004%**
HSBC France	**539 806**	**37 786 420**	**2,9993%**
Other loans institutions	**530**	**37 100**	**0,0029%**
Physical persons	**3**	**188**	**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, 2019

REGULATORY CAPITAL
7,8 billion euros

MUTUAL GUARANTEE FUNDS
6,1 billion euros

GROSS ANNUAL PRODUCTION
127,2 billion euros
646 998 loans
for 560 535 transactions

OUTSTANDING GUARANTEE
374,7 billion euros
3 442 999 loans

WORKFORCE
332 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 *

2019 was an excellent year for the personal property loan market. Growth went from one high to the next, quarter after quarter. On a year-on-year basis, the market grew by: +6.4% in the first quarter, +4.8% in the second quarter, +12.5% in the third quarter and +17.1% in the fourth quarter.

Borrowers were able to avail of exceptionally good credit conditions throughout the year, with an unprecedented increase in loan terms, interest rates at an all-time low and below inflation and very low down payment rates.

This situation enabled a category of younger borrowers in the lower income brackets to buy a home, despite the rise in property prices and the decrease in support schemes for first-time buyers.

As a result, the production of loans, excluding loan refinancing, came to €189.78 billion in 2019, compared with €171.97 billion in 2018, representing an increase of 10.4% as opposed to a decrease of 1.9% in 2018.

Loans paid are estimated to have amounted to €177.11 billion, compared with €161.7 billion in 2018.

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

There were wide differences in loan production depending on the market.

The new home market rebounded in the fourth quarter of 2019 for two reasons. First of all, because of the uncertainty hanging over the future of the zero-interest loan scheme (for zones C and B2), which prompted first-time buyers to bring forward their plans to buy a home. Added to this, as is the case at that time every year, investors seized opportunities to avail of the tax incentives afforded by the Pinel buy-to-rent scheme. This meant that loan production for new homes rose to a substantial €48.90 billion in 2019, up from €47.98 billion the previous year. However, the share of new homes in the market as a whole fell from 27.9% in 2018 to 25.8%.

Loan production for existing homes enjoyed the full effects of the excellent credit conditions offered by banks, climbing by 13.8% over the full year after edging up by 0.7% in 2018. This brought it to €135.23 billion in 2019, compared with €118.86 billion the previous year. This meant that the share of existing homes in the overall market climbed to its highest level ever of 71.3%, compared with 69.1% in 2018.

The competitive sector, which captured some of the demand from young, low-income households, further increased its share of the overall market to 92.7%, compared with 90.4% in 2018.

In 2019, the production of subsidised loans dropped significantly. Zero-interest loans experienced a rapid decline of 16.2%, having already decreased by 23.4% in 2018. The share of zero-interest loans in the market as a whole fell from 3.3% in 2018 to 2.5%. The production of state-subsidised loans for first-time buyers (*Prêts à l'Accession Sociale* - 'PAS') also fell sharply by 16.5% in 2019 after a 0.1% increase in 2018, bringing their share of the market to 4.8%.

The average term on bank loans stood at just over 228 months in 2019, compared with 221 months in 2018 and 215 months in 2017.

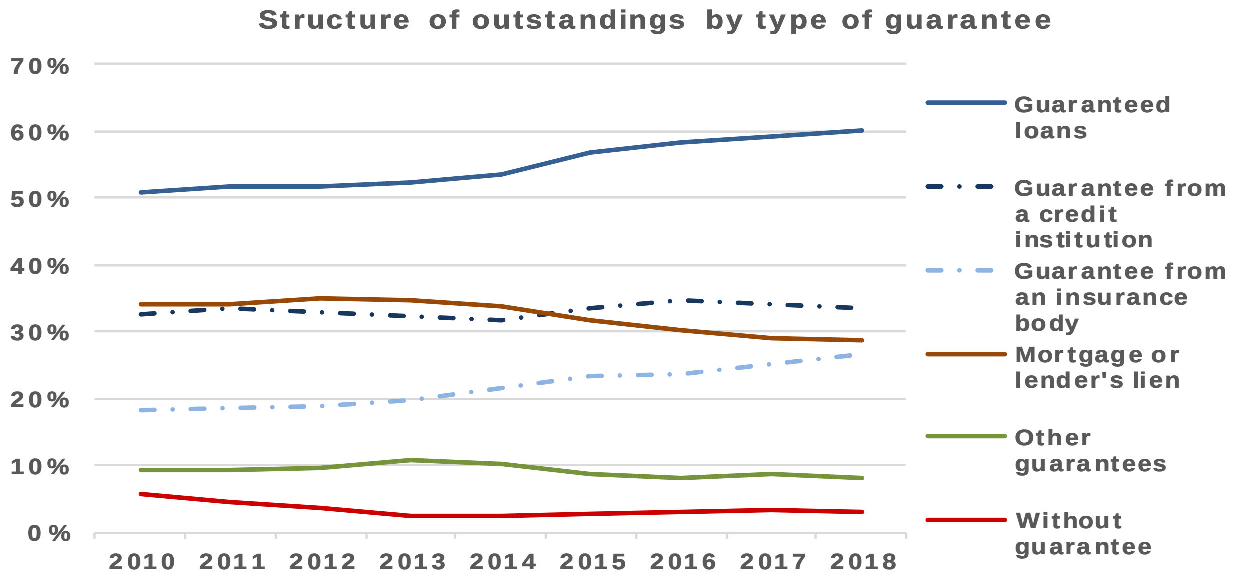
While not as pronounced as the situation observed between 2015 and 2018, refinancing was buoyed by the average loan rates* (excluding insurance and collateral costs) observed throughout 2019 (1.41% in the first quarter – 1.29% in the second quarter, 1.19% in the third quarter and 1.13% in the fourth quarter).

The lending conditions applied by banks, with a combination of interest rates that were below inflation, long loan terms and very low down payment requirements, helped households fulfil their property acquisition ambitions, despite an increase in property prices.

Residential loan guarantees

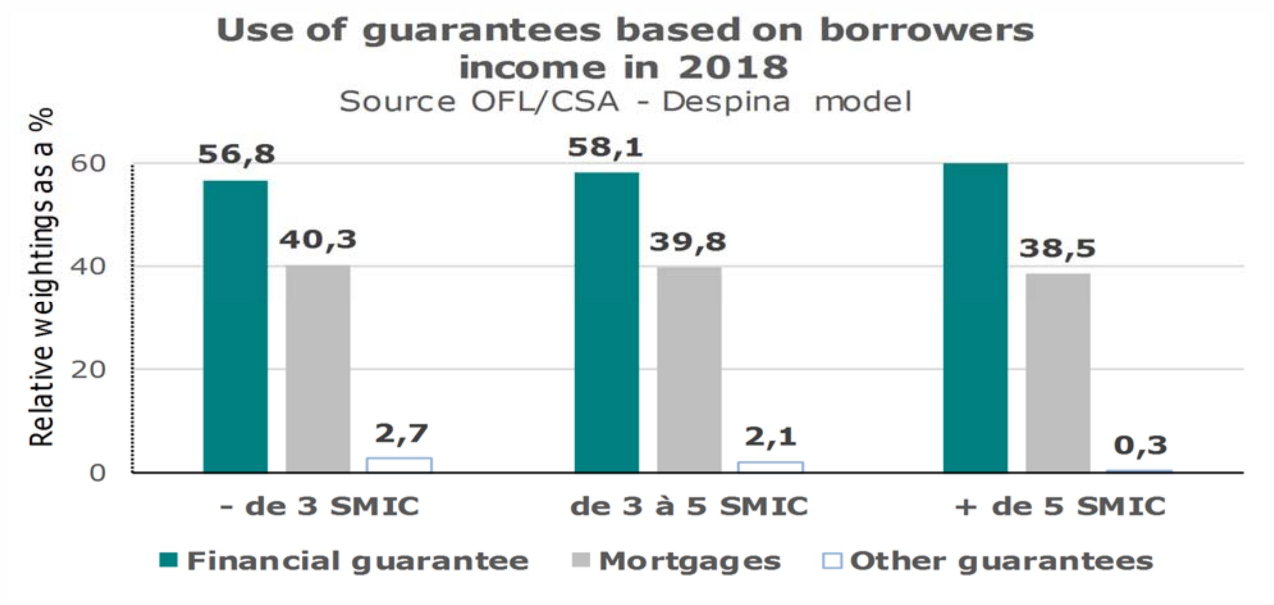
In the French property market, borrowers essentially rely on guarantees (bank guarantees and insurance company guarantees) when taking out a loan. The latest research available on the breakdown of the guarantee market in France for 2019 (source: OFL/CSA and Despina model), expressed in total distributed loan amounts (excluding loan refinancing), indicates that the market share for financial guarantees continued to rise in 2019 to 59.3%, compared to nearly 40% for physical collateral.

At 60.1%, loans backed by a guarantee account for the largest proportion of outstandings, compared to 28.7% for physical collateral (source: ACPR (French prudential supervision and resolution authority) - 2018 annual survey into the financing of housing).



Until the year 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 2018, 56.8% of low-income borrowers were protected by a financial guarantee 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.



COMMITMENTS DURING THE YEAR

Crédit Logement recorded a year-on-year increase of 19.9% in its production levels, with 646,998 property transactions guaranteed for €127.2 billion.

This coincided with an increase of a little over 50% in the loan refinancing amount by comparison with 2018, increasing to 15.1% of the total amount of guarantees.

Stripping out refinancing, the level of production registered a further increase of almost 16% compared to the previous year.

Against this backdrop, the average transaction amount guaranteed increased by €7,184 to €226,901. Excluding refinancing, it averaged €241,425, representing an increase of €9,155.

Production relating to guarantees arranged during the year amounted to €79.8 billion, up 20.3% on the previous year.

Accordingly, commissions on arranged guarantees amounted to €198.1 million, representing an increase of 13.8%.

Payments into the mutual guarantee fund also increased by approximately 19% with €802.7 million collected.

With a 7.3% rate of early repayments, the level of outstandings nonetheless increased by 8.4% compared to 2018 and is now close to €375 billion.

Collection of guaranteed debts

The exposure amount decreased slightly to €1.96 billion in 2019 across a total of 19,803 loans managed, representing a decline of approximately 1% in amount and number.

Banks triggered the guarantee mechanism on 8,347 loans during the year and there were 8,779 exits from the stock of loans.

Of these 8,779 exits, more than 52% related to loans that re-entered the usual loan management cycle.

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

€206.7 million in payments were received and allocated to the mutual guarantee fund, representing a 1.7% increase on the previous year.

Financial claims on behalf of banks amounted to €268.6 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 slightly to €212.8 million as at 31 December 2019, representing 2,637 debts.

€31 million was collected during the year and 496 new unpaid debts were entrusted to Crédit Logement.

More than 483 auction support applications were received and examined as part of the “auction support and sell-on” service.

CASH AND BALANCE SHEET MANAGEMENT

In 2019, 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 2019, 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. However, in view of the fall in returns and problems in securing collateral, some medium and long-term investments were made in 2019 that were outside the scope of the financial guarantee agreement. Furthermore, the company continued to step up its policy (approved in 2016) of acquiring sovereign and quasi-sovereign transferable securities issued in the Eurozone. Collateralised deposits were stable at €4.3 billion as at 31 December 2019 and collateral received came to €537 million.

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 €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), also rose, climbing to €2.36 billion, amid persistently-low interest rates. Medium-term investments (between 1 and 5 years) amounted to €1.18 billion. The rest of the available cash, namely €2.32 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 second half of 2019, while daily margin calls continued to be made for almost all the remaining swaps.

Furthermore, securities exchange transactions were performed in 2019, 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 carried out two calls on equity loans with its partners on 30 June and 30 December 2019.

Ongoing transactions as at 31 December 2019 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 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 with partner banks of Crédit Logement, proportional to their outstanding loans under Crédit Logement guarantee, for a total of €1.1 billion. Total outstandings were stable between 31 December 2018 and 31 December 2019, due to the repayment of facilities arranged on 30 June 2011 and 30 December 2011, which were no longer recognised as Tier 2 capital after their call date in accordance with the regulations applicable to Crédit Logement, and their replacement by two new facilities arranged on 30 June 2019 and 30 December 2019 for almost identical amounts.

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 mutualisation 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 to off-balance sheet commitments, 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 are submitted 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 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 developed by the Risk Management Department.

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 2019, this internal rating system was applicable to an exposure at default of €402 billion, breaking down into €383 billion in guarantees arranged and €19 billion in guarantees not yet arranged.

As at that same date, the rate of default at one year on the guarantee portfolio was 0.20%, marking a 2bp decrease compared with the end of 2018. The portfolio's probability of default at one year was estimated at an average of 0.30%.

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 11.68% of the EAD on transfer to default status, representing a decrease of 77bp compared with the end of 2018.

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 15.21%, representing a decrease of 92bp compared with the end of 2018.

Given these parameters, the risk-weighted assets (RWA) of the portfolio stood at €29.9 billion, corresponding to a weighting of 7.44%, down by 50bp over the year.

As at 31 December 2019, 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 €2.7 billion, before the application of the capital conservation buffer and the countercyclical buffer, bearing in mind that 23% of this requirement, namely €631 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 €45.5 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.

Lastly, 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%.

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. 35 risk events were reported in 2019 (compared with 18 in 2018) 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 2019, 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. Following on from this assessment, a test was carried out in which the crisis unit was triggered as part of the simulation of a cyber attack. This test confirmed an effective crisis management response, hinging on an appropriate distribution of roles among the various people involved and a good command of business line processes.

The host of the recovery site used in the Contingency and Business Continuity Plan (*Plan d'Urgence et de Poursuite d'Activité* - PUPA) handles the unavailability of premises and of the entire local network.

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.

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 €29 million as at 31 December 2019.

Liquidity risk management and the liquidity ratio

Crédit Logement's liquidity risk is very specific, since the residential loan guarantee 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 2019, 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 2019.

The emergency response plan in place to handle a liquidity crisis was tested in 2019 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 2019, the sensitivity of NPV over 10 years in the event of a 200bp drop in interest rates corresponded to -5.37 % of the share capital after taking into account the macro-hedging swap portfolio.

Furthermore, 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), was subject to these standards as at 31 December 2019 and complied with all applicable limits on that date relating to the EBA guidelines. The outlier test calculation pointed to a maximum variation of 7.69% 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 9.78% when the maximum loss in the economic value of equity was compared to 15% of Tier 1 capital.

Market risk, counterparty risk and other risks

At the end of 2019, 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.

Under the tax benefit scheme for investment in French overseas collectivities, in 2009 Crédit Logement invested €8.9 million in shares in an SCI (real estate partnership) in New Caledonia to build and lease a social housing programme. This investment was covered by cash collateral of an equivalent amount, provided by the other partner in the SCI, guaranteeing said partner's promise to ultimately redeem the shares in the SCI. This arrangement matured in 2019 and the cash collateral offset the redemption of the SCI's shares.

Other than two subsidiaries 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 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 guarantee portfolio is calculated over the lifetime of the guarantee 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 guarantee 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

This risk is measured based on the sensitivity of the Net Present Value (NPV) of the balance sheet and net banking income (at 12 months and 24 months) to a variation in interest rates, according to different scenarios of deviation in the rate curve. 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 2019, the amount of internal capital needed to cover all risks to which the company is exposed (expected and unexpected losses) was €2.5 billion, compared with:

- unexpected losses (Pillar 1 requirement) of €3,609 million (of which €839 million for the capital conservation buffer and €84 million for the countercyclical buffer) and expected losses of €357 million to be deducted from capital,
- a Pillar 2 regulatory capital requirement of €7,495 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 2019, SNC Foncière Sébastopol carried out six new auctions and sold on eight assets.

At the end of 2019, there were twenty-one properties in stock representing a total net amount of €2,608,172, including an impairment provision of €168,000, compared with €2,244,388 as at 31 December 2018.

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 €159,958, essentially corresponding, on the one hand, to interest on the partner's current account and current management expenses, and on the other, to the reversal of a provision for stock impairment.

CRÉDIT LOGEMENT ASSURANCE

Pursuant to the decision taken by their Board of Directors on 14 and 15 December 2017, Crédit Logement and Crédit Logement Assurance (CLA) agreed on the principle of discontinuing CLA's operations and winding down the company.

Following this decision, CLA's partners were notified of the termination of their guarantee agreements and the last guarantees were arranged in November 2018.

On 18 April 2019, the CLA Board of Directors decided to transfer the portfolio of guarantee commitments over to the parent company, Crédit Logement, which had expressed the wish to acquire it.

Accordingly, in anticipation of the wind up of CLA and the extension of the approvals granted at the respective Board meetings of 18 April and 16 May 2019, the following agreements were finalised and recorded:

- the agreements relating to the transfer to Crédit Logement as at 1 July 2019 of the outstanding loans under CLA guarantee for each partner;
- The memoranda of understanding with the minority shareholders at 30 June regarding the transfer of shares.

The transfer of guarantees arranged covered 4,008 outstanding loans totalling €350 million, recognised in Crédit Logement's off-balance sheet commitments as at 1 July 2019.

As a result of the purchase of the minority interests on 30 June 2019, Crédit Logement became CLA's sole shareholder, having previously held 81.74% of the share capital. Following this transaction, Crédit Logement's interest in CLA carried a gross value of €8,049 thousand and €5,891 thousand after the €2,158 thousand impairment charge recognised in 2017.

Crédit Logement subsequently decided to dissolve the company through the transfer of all its assets and liabilities.

At its meeting of 6 November 2019, the Board of Directors approved the principle of a dissolution of CLA without liquidating its assets. The thirty-day period during which the company's creditors were entitled to lodge an objection expired on 9 December 2019. The transfer of all the CLA assets and liabilities was therefore carried out based on their carrying amount in the accounts drawn up to that date.

Crédit Logement took on €500 thousand in medium-term loan notes, €6,499 thousand held in bank current accounts and intangible and tangible assets representing a gross carrying amount of €2,470 thousand. The net value of the latter was zero after depreciation, amortisation and provisions.

This transaction resulted in a capital loss for Crédit Logement of €1,049 thousand on the CLA participating interests, which was offset by the reversal of the €2,158 thousand impairment provision.

In addition, the ACPR declared the end of the validity of CLA's insurance licences on 5 December 2019. CLA was removed from the trade court registry on 19 December 2019 following the transfer of all its assets and liabilities.

BALANCE SHEET

Total assets on the balance sheet amounted to €11.4 billion as at 31 December 2019, representing an increase of €0.6 billion compared with 31 December 2018.

This growth mainly stemmed from the mutual guarantee fund (+€0.4 billion) and amounts payable on borrowed securities (+€0.24 billion), the increase in which reflects the greater use of securities lending transactions. These transactions are guaranteed by variable income securities received from the borrower, with an increase by a corresponding amount included in assets of €0.24 billion. Most of the cash generated by the growth in business, materialised by the increase in the mutual guarantee fund in particular, has been invested in bonds and other fixed income securities (+€0.39 billion).

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 €374.7 billion as at 31 December 2019, compared with €345.8 billion as at 31 December 2018.

Guarantee agreements not yet arranged amounted to €45.9 billion at the end of 2019, compared with €39.4 billion at the end of 2018.

The net annual increase in outstandings was therefore €28.9 billion, representing an 8.4% increase, taking into account annual amortisation and early repayments totalling €49.9 billion. The early repayment amount continued to be quite high (7.3% 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 23.3% as at 31 December 2019, compared with 22.5% as at 31 December 2018. 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 €7.5 billion as at 31 December 2019.

Change in regulatory capital

Prudential capital increased by €0.3 billion to €7.8 billion as at 31 December 2019. This essentially stemmed from a volume of business that continued to fuel growth in the mutual guarantee fund. However, the distribution of retained earnings in 2019 reduced this increase.

	31/12/2019	31/12/2018	Change
Equity capital on the liability side of the balance sheet	1,565,972	1,709,174	-143,202
Fund for general banking risks	610	610	0
Mutual guarantee fund	6,063,123	5,649,040	414,083
Income (losses) to be allocated	(103,369)	(102,486)	-883
Deductions	(1,709,769)	(1,726,346)	16,577
COMMON EQUITY CAPITAL TIER 1	**5,816,567**	**5,529,992**	**286,575**
Subordinated Tier 1 securities	326,250	326,250	0
Deductions	(8,473)	0	-8,473
TIER 1 EQUITY CAPITAL	**6,134,344**	**5,856,242**	**278,102**
Subordinated loans	1,103,297	1,122,761	-19,464
Subordinated securities – Tier 2	562,843	618,382	-55,539
Add-back of Tier 1 capital incorporated into Tier 2 capital	8,473	0	8,473
Mutual guarantee fund held in Tier 2	1,490	1,498	-8
Deductions	(5,335)	(67,306)	61,971
ADDITIONAL EQUITY CAPITAL	**1,670,768**	**1,675,335**	**-4,567**
TOTAL REGULATORY CAPITAL (numerator)	**7,805,112**	**7,531,577**	**273,535**
Weighted risks - advanced IRB model	29,886,007	29,496,457	
Weighted risks - standard method	2,847,290	3,219,729	
Other assets not corresponding to loan obligations	476,118	459,345	
Operational risks	366,692	372,586	
TOTAL BASEL II WEIGHTED RISKS (denominator)	**33,576,107**	**33,548,117**	**27,990**
Common Equity Tier 1 solvency ratio	**17.32%**	**16.48%**	
Tier 1 solvency ratio	**18.27%**	**17.46%**	
SOLVENCY RATIO	**23.25%**	**22.45%**	
Pillar 2 capital requirements	**7,494,926**	**6,915,540**	

Common Equity Tier 1

The total amount of Common Equity Tier 1 capital was €5.8 billion as at 31 December 2019, compared with €5.5 billion in 2018, representing a net increase of €287 million:

- the mutual guarantee fund held in Common Equity Tier 1 increased by €414 million to €5.8 billion at the end of 2019, compared with €5.5 billion in 2018;
- retained earnings decreased by €149 million due to the distribution of a special dividend.

Tier 1 capital

This is the Common Equity Tier 1 plus additional tier 1 (AT1) capital.

Tier 2 capital

Tier 2 capital was practically unchanged at €1.7 billion.

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.

Schedule of payables and receivables (in thousands of euros)

	31/12/2019						31/12/2018					
	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables and receiv. due	**Total**	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables and receiv. due	**Total**
Accounts payable	536	1			246	**783**	341	118			137	**596**
Accounts receivable	1,172				16	**1,188**	1,205				1,121	**2,326**

Payables and receivables due at 31 December 2019 (in thousands of euros)

	Article D 441 I. -1°: Invoices received, unpaid and overdue at the end of the period						**Article D 441 I. -2°: Invoices issued, unpaid and overdue at the end of the period**					
	Day 0 (guide)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	Day 0 (guide)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Bands of late payment												
Number of invoices affected		33	12	2	6	53				2	2	4
Total amount (incl. tax) of invoices affected		217	20	6	3	246				7	9	16
Percentage of total amount of purchases (incl. tax) for the year		1,61%	0,15%	0,04%	0,02%	1,82%						
Percentage of revenue for the year (incl. tax)								0,00%	0,00%	0,00%	0,00%	0,01%
(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables												
Number of invoices excluded												
Total amount of invoices excluded												
(C) Reference payment terms used (contractual or statutory term - Article L.441-6 or Article L.443-1 of the French commercial code)												
Payment deadlines used to calculate late payments	☐ Contractual term: from "on receipt" until "60 days from invoice date" ☐ Statutory term						☐ Contractual term: "30 days from invoice date" ☐ Statutory term					

INCOME STATEMENT

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

Net banking income came to €211.4 million, compared with €204.3 million a year earlier, representing an increase of 3.5%.

Of this, net financial income decreased by 14.8% on the previous year, mainly due to the following:

- interest rates that remain very low, weighing on returns on available cash, despite an average increase of nearly 9% in average proceeds from the investment of this cash and representing a decrease of almost 17% in income;
- a decrease in income from "conventional" cash as a result of new Tier 2 transactions under less favourable terms;
- practically flat charges on subordinated debt without any new capital management transactions during the year.

However, record business volumes in 2019 sent commission income up by 8.9%, under the impact of the new transactions arranged and an increase in early repayments.

Lastly, there was a 63.6% rise in other income from operations.

Overheads and depreciation and amortisation charges totalled €55.4 million, compared with €53.4 million in 2018, representing an increase of 3.8%.

This increase broke down as follows:

- personnel expenses rose by 8%, 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;
- other administrative expenses decreased by 8.2%, mainly as a result of the fall in taxes and duties;
- depreciation and amortisation charges and impairment provisions increased by 15.9%.

As a result of these developments, gross operating income, before non-recurring income and expenses, corporate income tax and regulatory provisions, came to €155.9 million, up 3.4% on the previous financial year.

The corporate tax expense was €53.6 million, compared with €51.5 million in 2018.

Overall, net profit for the financial year came to €103.4 million, pointing to a return on equity of 6.42% in 2019.

OUTLOOK AND SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

2019 was characterised by a still-vibrant residential property financing market, with interest rates on housing loans remaining extremely low throughout the year.

At the very end of the year, the *Haut Conseil de la Stabilité Financière* (high council for financial stability) introduced measures in which banks were asked, in 2020, to keep loan terms to a maximum of 25 years and to refrain from accepting applications in which the loan amount exceeded 33% of the borrower's income. Banks were informed that they may waive this 33% limit for 15% of the total number of applications submitted by first time-buyers and persons buying their primary residence. These measures may have repercussions on the dynamics of the market, particularly when it comes to young borrowers and the rental market.

Even so, at the end of February, the volume of guarantee applications received by Crédit Logement continued to show a slight increase compared to the same period last year, alongside a higher refinancing rate. In all likelihood, this is due to the time needed for banks to adapt their lending policies.

In any event, Crédit Logement had anticipated a 15% decline in production levels in 2020 by comparison with the levels observed in 2019. Accordingly, even if such a decline were to happen, it would in no way upset Crédit Logement's financial equilibrium.

The coronavirus (COVID-19) outbreak in France prompted Crédit Logement to convene its crisis unit and put together a calibrated action plan according to the level of national economic continuity measures. This action plan has been designed to enable the company to pursue its operations.

When the French government raised the national alert level to 3, Crédit Logement responded by activating its Pandemic Contingency and Business Continuity Plan and introduced mandatory telecommuting arrangements for its employees. More than 90% of the Crédit Logement personnel can work from home, with only around 15 or so people being authorised to travel into the office occasionally or regularly to complete tasks that cannot be completed remotely.

This means that Crédit Logement is able to continue to complete all its missions and provide all its services by communicating with partners though EDI, web services, the crelog.com extranet portal, email, conference calls or video conferencing.

The communication plan provided for in the contingency plan was also triggered in order to inform Crédit Logement's partner banks and counterparties, and has since been adapted to each of the main areas of business.

There is a risk that production levels will be affected by the confinement measures, which are bound to lead to a sharp fall in property transactions, at least for the duration of the confinement period. Similarly, the volume of calls on the Crédit Logement guarantee could well increase when the confinement period ends, because of the potentially negative economic environment in France and across the world.

Furthermore, on 30 March 2020, the ACPR recommended that credit institutions and finance companies not pay any dividends for 2019 and 2020, at least until 1 October 2020.

PROPOSED APPROPRIATION OF EARNINGS

The distributable profit of €104,057,397.12 euros breaks down as follows:

• net profit for the financial year	€103,369,107.11
• plus retained earnings from the previous year	€688,290.01

In keeping with the ACPR recommendations issued in relation to the COVID-19 health crisis, it is proposed that earnings be appropriated as follows:

• legal reserve	€5,168,455.36
• retained earnings	€98,888,941.76

and that no dividend be distributed.

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 HSBC as a member of the Board of Directors for a period of six years.

Subsequent to Dominique Fiabane’s decision to step down from the Board of Directors, the shareholders will be asked to approve the co-option to the Board of Nicolas Draux.

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 2020.

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 2019.

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 is provided in the notes to this report.

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%.

Eight agreements fall into this category:

- the successor agreement between Crédit Logement and Crédit Logement Assurance entered into on 28 June 2019;
- the seven (7) three-party agreements signed by Crédit Logement, Crédit Logement Assurance and the various lenders holding the loans transferred, effective 1 July 2019:
  - Banque BCP: signed on 22 May 2019;
  - Institute d'Emission d'Outre-Mer: signed on 23 May 2019;
  - Caisse d'Aide Départementale d'Aide Immobilière: signed on 7 June 2019;
  - Crédit du Nord: signed on 7 June 2019;
  - BNP Paribas Personal Finance: signed on 26 June 2019;
  - La Banque Postale: signed on 26 June 2019;
  - Agence Française de Développement signed on 27 June 2019.

Please note that, subsequent to the dissolution of Crédit Logement Assurance via the transfer of all the CLA assets and liabilities to Crédit Logement, of which notice was given on 7 November 2019, no further agreement entered into between Crédit Logement and its subsidiary will be mentioned in future corporate governance reports.

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
AT DECEMBER 31, 2019
in thousand euros

	2019	2018	Notes
CASH, CENTRAL BANKS, CCP	7	5	
DEPOSITS ON CREDIT INSTITUTIONS	**6 072 940**	**6 181 510**	A1
On sight	435 367	383 736	
Term	5 637 573	5 797 774	
CUSTOMER TRANSACTIONS	**1 326 536**	**1 347 449**	A3
Other customer loans	571	595	
Doubtful loans	1 325 965	1 346 854	
BONDS AND OTHER FIXED-INCOME SECURITIES	**2 753 467**	**2 360 760**	A4-1
SHARES AND OTHER VARIABLE-INCOME SECURITIES	**668 465**	**385 814**	A4-1
INTERESTS IN AFFILIATED COMPANIES	**2 728**	**6 986**	A4-2
INTANGIBLE FIXED ASSETS	**9 032**	**6 339**	A5
TANGIBLE FIXED ASSETS	**13 061**	**12 677**	A5
OTHER ASSETS	**1 496**	**13 533**	A6
ACCRUALS	**537 361**	**497 503**	A6
TOTAL ASSETS	**11 385 093**	**10 812 576**	
Guarantee outstandings	**374 746 295**	**345 776 998**	A12-1
Guarantee commitments not yet implemented	**45 935 394**	**39 387 280**	A12-1
Other guarantee given	**201**	**91**	
COMMITMENTS GIVEN	**420 681 890**	**385 164 369**	

	2019	2018	Notes
Amounts due to Credit institution	**6 443**	**6 651**	**A7**
On sight	9	11	
Term	6 434	6 640	
Amounts due to customer	**9 575**	**24 218**	**A7**
OTHER LIABILITIES	**603 113**	**360 101**	**A8**
ACCRUALS	**909 769**	**817 508**	**A8**
DEPRECIATIONS FOR RISK AND EXPENSES	**858**	**1 152**	**A8**
SUBORDINATED DEBT	**8 288 753**	**7 893 162**	
Mutual guarantee deposits	6 064 613	5 650 538	A9-1
Subordinated borrowings	1 103 297	1 122 761	A9-2
Accrual on borrowings	2 605	1 611	A9-2
Surbordinated securities	1 104 250	1 104 250	A9-2
Accruals on subordinated securities	13 988	14 002	A9-2
FUNDS FOR GENERAL BANKING RISKS	**610**	**610**	**A9-3**
SHAREHOLDERS' EQUITY	**1 565 972**	**1 709 174**	
Capital	1 259 850	1 259 850	A9-4
Reserves	149 012	143 887	A9-4
Regulatory provisions	53 053	53 053	A9-3
Retained earnings	688	149 898	
Earnings for the year	103 369	102 486	
TOTAL LIABILITIES	**11 385 093**	**10 812 576**	
Guarantee commitments received from credit institutions	1 992 892	2 171 889	A11
On securities to be received	130 000		
COMMITMENTS RECEIVED	**2 122 892**	**2 171 889**	

PROFIT AND LOSS
AT DECEMBER 31, 2019
in thousand euros

	2019	2018	Notes
Interest income	117 865	123 645	B1
Interest expenses	-64 230	-60 706	
Income from variable-income securitie	38	37	B2
Commission (income))	152 008	139 615	B3
Commission (expenses)	-779	-737	
Gain or loss on exchange	-1	-2	B4
Income on marketable securities	2 264	-150	B5
Other banking operating income	4 608	2 893	B6
Other banking operating expenses	-391	-315	
NET BANKING INCOME	**211 382**	**204 280**	
General operating expense	-50 923	-49 529	B7
Allowances for depreciation and amortisation on tangible and intangible fixed assets including equity securities	-4 510	-3 890	B8
CHARGES GNERALES D EXPLOITATION ET DOTATIONS AUX AMORTISSEMENTS ET PROVISIONS	**-55 433**	**-53 419**	
GROSS OPERATING INCOME	**155 949**	**150 861**	
Cost of credit risk			
OPERATING INCOME	**155 949**	**150 861**	
Gain on affiliated companies	1 032		B9
INCOME BEFORE TAX	**156 981**	**150 861**	
Non-recurring income/loss			
Corporate income tax	-53 612	-48 375	B10
Allowances/write back for provisions			
NET INCOME FOR THE YEAR	**103 369**	**102 486**	

STATUTORY AUDITORS REPORT
ON THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

To the general meeting of the shareholders of Crédit Logement

OPINION

In compliance with the engagement entrusted to us by the shareholders at the general meetings, we have audited the annual financial statements of Crédit Logement for the year ended 31 December 2019, as enclosed in this report. These annual accounts were adopted by the Boards of Directors on 26 March 2020 and 6 April 2020 on the basis of the information available at that date in a changing context of health crisis linked to Covid-19.

Nous certifions que les comptes annuels sont, with regard to French accounting rules and principles, 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 performed our audit according to the rules of independence to which we are subject, over the period beginning on 1 January 2019 until the date of issuance of our report. In particular, we did not provide any non-audit services prohibited by Article 5, paragraph 1, of Regulation (EU) No 537/2014 or by the French code of ethics (*Code de Déontologie*) for statutory auditors.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French commercial code (*Code de Commerce*) relative to the justification of our assessments, we bring to your attention the key audit matters that, in our professional judgement, were of the most significance in our 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, closed under the conditions mentioned above, 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 adopted on 26 March and 6 April 2020 and in the other documents 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.441-4 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.

With regard to the events that occurred and the items known subsequent to the accounting date relating to the effects of the Covid-19 crisis, the Management has informed us that they will be the subject of a communication at the general meeting called to decide on the accounts.

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.

RESPONSABILITIES OF THE MANAGEMENT AND OF THE PERSONNS 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.

RESPONSABILITIES OF THE STATUTORY AUDITORS FOR TH 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.

La Défense and Paris, 10 April 2020

The Statutory Auditors

Deloitte & Associés,	CTF,
Sylvie Bourguignon.	Christophe Legué.

NOTES TO THE FINANCIAL STATEMENTS

I – EVENTS AFTER THE END OF THE FINANCIAL YEAR

2019 was characterised by a still-vibrant residential property financing market, with interest rates on housing loans remaining extremely low throughout the year.

At the very end of the year, the *Haut Conseil de la Stabilité Financière* (high council for financial stability) introduced measures in which banks were asked, in 2020, to keep loan terms to a maximum of 25 years and to refrain from accepting applications in which the loan amount exceeded 33% of the borrower's income. Banks were informed that they may waive this 33% limit for 15% of the total number of applications submitted by first time-buyers and persons buying their primary residence. These measures may have repercussions on the dynamics of the market, particularly when it comes to young borrowers and the rental market.

Even so, at the end of February, the volume of guarantee applications received by Crédit Logement continued to show a slight increase compared to the same period last year, alongside a higher refinancing rate. In all likelihood, this is due to the time needed for banks to adapt their lending policies.

In any event, Crédit Logement had anticipated a 15% decline in production levels in 2020 by comparison with the levels observed in 2019. Accordingly, even if such a decline were to happen, it would in no way upset Crédit Logement's financial equilibrium.

The coronavirus (COVID-19) outbreak in France prompted Crédit Logement to convene its crisis unit and put together a calibrated action plan according to the level of national economic continuity measures. This action plan has been designed to enable the company to pursue its operations.

When the French government raised the national alert level to 3, Crédit Logement responded by activating its Pandemic Contingency and Business Continuity Plan and introduced mandatory telecommuting arrangements for its employees. More than 90% of the Crédit Logement personnel can work from home, with only around 15 or so people being authorised to travel into the office occasionally or regularly to complete tasks that cannot be completed remotely.

This means that Crédit Logement is able to continue to complete all its missions and provide all its services by communicating with partners though EDI, web services, the crelog.com extranet portal, email, conference calls or video conferencing.

The communication plan provided for in the contingency plan was also triggered in order to inform Crédit Logement's partner banks and counterparties, and has since been adapted to each of the main areas of business.

There is a risk that production levels will be affected by the confinement measures, which are bound to lead to a sharp fall in property transactions, at least for the duration of the confinement period. Similarly, the volume of calls on the Crédit Logement guarantee could well increase when the confinement period ends, because of the potentially negative economic environment in France and across the world.

Furthermore, on 30 March 2020, the ACPR recommended that credit institutions and finance companies not pay any dividends for 2019 and 2020, at least until 1 October 2020.

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 national accounting board (*Comité de Réglementation Comptable* - CRC), the regulations of the French banking and financial regulation committee (*Comité de la Réglementation Bancaire et Financière* - CRBF) 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 2019.

III - ACCOUNTING PRINCIPLES AND METHODS

ASSETS

DEPOSITS ON CREDIT INSTITUTIONS

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.

SECURITY 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 2 of 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.

The depreciations are shown hereinafter:

Depreciations	Method	Period
ASSET UNDER CONSTRUCTION	N/A	
INTANGIBLE FIXED ASSETS		
Lease	N/A	
Software	Straight-line	1, 3, 4 or 5 years
TANGIBLE FIXED ASSETS		
Land	N/A	
Buildings	Straight-line	150 years from 01/01/1945
Roof/front	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 equipment	Diminishing balance	3, 4 or 5 years
Technical equipment	Straight-line	5 to 20 years
Fittings ans fixtures	Straight-line	10 years

ACCRUALS AND OTHER 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

SECURITY DEPOSITS

In 2009, shares in a real-estate partnership (*SCI*) in New Caledonia were purchased as part of a tax benefit scheme to encourage investment in French overseas municipalities.

In order to ensure the repurchase of the securities in 2019, a cash collateral account with capitalised interest was set up by the other partner in the SCI, a semi-public social housing company, thus underwriting this company's commitment to repurchase the shares in the SCI.

As this transaction expired on 30 June 2019, the cash collateral was settled in exchange for the exit of the SCI securities.

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 amounts due that can be broken 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) on a constant equal to the total amount of commission payable on a contract, divided by the duration of the loan expressed in days, 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 according to the swap clearing principle established 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.

SUBORDINATED DEBT

MUTUAL GUARANTEE FUNDS

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 from 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 23 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. 275/2013, 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.

FUNDS FOR GENERAL BANKING RISKS

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

Requested by customer

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 commitments distributed by other credit institution

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

The exposures have been categorised according to the following criteria:

- sound guarantees. 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 guarantees 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 guarantees. 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 guarantees;
- 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 guarantees. 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 guarantees);
- doubtful guarantees 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 guarantees 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 members of the management body (Chairman of the Board, directors and effective managers).

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 a remuneration in respect of which the terms and conditions were approved by the Board at its meeting on 3 April 2013. Accordingly, received €3,900 in the financial year ended 31 December 2019. This remuneration is paid based on the effective attendance rate at Board meetings. The Chairman receives one and a half times the remuneration of the others members of the board of the others members of the board.

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 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 senior 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.

IV – NOTES

Notes A: information on the balance sheet and off-balance sheet items
Notes B: information on income statement
Notes C: other informations

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	**861 891**	**236 200**	**2 211 719**	**2 763 130**	**6 072 940**
Demand accounts	435 363				435 363
Term accounts	420 000	230 000	2 204 300	2 763 130	5 617 430
Accrued interest	6 528	6 200	7 419		20 147
LOANS AND ADVANCES TO CUSTOMERS	**1 326 000**	**69**	**113**	**354**	**1 326 536**
Other customer loans and advances	35	69	113	354	571
Doubtful loans	1 325 965				1 325 965
BONDS AND OTHER FIXED-INCOME SECURITIES	**182 446**	**370 466**	**708 728**	**1 491 827**	**2 753 467**

NOTE A 2 - BREAKDOWN OF LOANS AND ADVANCES

	Affiliated companies	Equity interests	Other companies	Retail customers	Total
LOANS AND ADVANCES TO CREDIT INSTITUTIONS		6 067 264	5 676		6 072 940
LOANS AND ADVANCES TO CUSTOMERS			265 312	1 061 224	1 326 536
BONDS AND OTHER FIXED-INCOME SECURITIES		1 683 023	1 070 444		2 753 467

NOTE A 3 - LOANS AND ADVANCES TO CUSTOMERS

NOTE A 3-1 - CHANGES IN CUSTOMER OUTSTANDINGS

	31/12/2018	Releases / Disbursements	Repayments / Collections	Write-offs	31/12/2019
Cash loans - loans to staff	595	183	207		571
Doubtful loans	1 346 787	268 550	208 272	81 167	1 325 898
Other third party doubtful loans	616				616
Impairment of other third party doubtful loans	-549				-549
TOTAL	**1 347 449**	**268 733**	**208 479**	**81 167**	**1 326 536**

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	571				571
Doubtful loans			1 325 965	1 315 982	1 326 536
TOTAL	**571**		**1 352 965**	**1 315 982**	**1 326 536**

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	unlisted	Total		
BONDS AND OTHER FIXED-INCOME SECURITIES						
Trading account securities - Securities borrowed	20 839					
Trading account securities						
Securities received under repurchase agreements		210 000		210 000	219 464	
Accrued interest		713		713		
Securities received under repurchase agreements		**210 713**		**210 713**	**219 464**	
Bonds	979 908	1 534 864	500	1 535 364	2 590 625	2 458 717
Accrued interest	4 686	6 955	2	6 957		
Debt securities held to maturity	**979 594**	**1 541 819**	**502**	**1 542 321**	**2 590 625**	**2 458 717**
SHARES AND OTHER VARIABLE-INCOME SECURITIES						
Trading account securities - Securities borrowed		587 699		587 699	587 699	
Trading account securities		**587 699**		**587 699**	**587 699**	
UCITS		101 734		101 734	101 655	
Impairment provision		-129		-129		
Securities held for sale		**101 605**		**101 605**	**101 655**	
Interests in affiliated companies			2 728	2 728	2 728	
PARTICIPATING INTERESTS			**2 728**	**2 728**	**2 728**	
TOTAL SECURITIES PORTFOLIO	**979 594**	**2 441 836**	**3 230**	**2 445 066**	**3 502 171**	

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		-142	15	15
Partner advances and current accounts						
SNC Foncière Sébastopol					2 712	2 712
INTERESTS IN AFFILIATED COMPANIES					**2 727**	**2 727**

* Data as at 31/12/2019

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	**40 639**	**8 314**	**-165**	**48 788**	**9 032**
Assets under construction	1 801	2 757	-1 289	3 269	3 269
Software and licenses	38 838	5 557	1 124	45 519	5 763
TANGIBLE FIXED ASSETS	**31 415**	**1 820**	**-463**	**32 772**	**13 061**
Assets under construction	164	557	-163	558	558
Land	2 909			2 909	2 909
Structural components of buildings	5 499			5 499	3 406
Roof/facade	2 172			2 172	302
Office equipment	453	8	-59	402	57
Club Affaires machinery and equipment	87		-8	79	8
Office furniture	1 651	19	-52	1 618	369
Club Affaires furniture	123			123	35
Computer hardware	2 986	474	-54	3 406	739
Fixtures and fittings - non building	5 414		-2	5 412	528
Fixtures and fittings - building	4 244	147	-20	4 371	1 148
Technical equipment	5 713	615	-105	6 223	3 002
TOTAL	**72 054**	**10 134**	**-628**	**81 560**	**22 093**

* including transfer of gross fixed assets from Crédit Logement Assurance in 2019 amounting to€2,470 thousand

DEPRECIATION, AMORTISATION OR PROVISIONS	Opening balance	Charges *	Reductions	Closing balance
INTANGIBLE FIXED ASSETS	**34 300**	**5 647**	**-191**	**39 756**
Software and licenses	34 300	5 647	-191	39 756
TANGIBLE FIXED ASSETS	**18 738**	**1 357**	**-384**	**19 711**
Land				
Structural components of buildings	2 044	49		2 093
Roof/facade	1 785	85		1 870
Office equipment	400	39	-94	345
Club Affaires machinery and equipment	76	3	-8	71
Office furniture	1 236	64	-51	1 249
Club Affaires furniture	88			88
Computer hardware	2 536	240	-109	2 667
Fixtures and fittings - non building	4 562	324	-2	4 884
Fixtures and fittings - building	3 034	223	-34	3 223
Technical equipment	2 977	330	-86	3 221
TOTAL	**53 038**	**7 004**	**-575**	**59 467**

* including accumulated depreciation of CLA fixed assets in 2019 amounting€1,748 thousand and allowance for impairment amounting €722 thousand
All buildings are exclusively used for the exercise of Crédit Logement's own activities

NOTE A 6 - OTHER ASSETS AND ACCRUALS

	31/12/2019	31/12/2018		31/12/2019	31/12/2018
Deposit guarantee fund (*FGDR*)	4	8	Forward financial instrument adjustment accounts (cash margin calls)	59 152	52 133
Deposits and sureties given	212	212	Currency adjustment accounts	16	31
			Losses to be amortised on forward financial instr.	3 345	3 540
Amounts in respect of tax and social security payments	8	10 919	Prepaid expenses	872	940
Sundry debtors (staff)	68	66	Expenses to be spread forward	182	338
Other sundry debtors (customers)	1 168	2 287	Accrued income on guarantees	456 041	430 376
Other sundry debtors (other)	36	41	Accrued income on forward financial instruments	11 250	10 137
			Miscellaneous accrued income	4	8
			Other accruals	6 499	
Other assets	**1 496**	**13 533**	**ACCRUALS**	**537 361**	**497 503**

NOTE A 7 - AMOUNTS DUE TO CREDIT INSTITUTIONS AND CUSTOMERS

	31/12/2019	31/12/2018
Accounts and borrowings		
- Deposits of cash collateral	6 255	6 524
- Accrued interest	188	127
Credit institutions	**6 443**	**6 651**
Cash collateral received		7 041
Other amounts due - including segregated amounts	9 575	17 177
Customers	**9 575**	**24 218**

NOTE A 8 - OTHER LIABILITIES, ACCRUALS AND PROVISIONS

	31/12/2019	31/12/2018		31/12/2019	31/12/2018
Amounts payable on borrowed securities	587 699	345 429	Prepaid income on guarantees	439 596	405 808
Amounts due in respect of tax and social security payments	5 084	3 492	Deferred income on guarantees	286 640	274 756
Sundry creditors (staff)	4 285	4 794	Accrued expenses on forward financial instruments	10 343	10 028
Sundry creditors (suppliers)	2 483	2 053	Gains spread forward on forward financial instr.	47 612	51 635
Amounts payable to staff	2 292	1 513	Currency adjustment accounts	15	29
Other sundry creditors	1 270	2 820	Forward financial instrument adjustment accounts (cash margin calls)	125 547	75 252
			Other accruals	16	
Other liabilities	**603 113**	**360 101**	**Accruals**	**909 769**	**817 508**

Provisions for liabilities and charges

Category	31/12/2018	Charges	Releases	Release of unused prov.	31/12/2019
Provisions for litigation	1 152	48	-23	-320	857
TOTAL	**1 152**	**48**	**-23**	**-320**	**857**

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	5 926 474	802 664	-307 414	6 421 724
Mutual guarantee fund in foreign currency	1 678		-8	1 670
Use of the mutual guarantee fund to cover irrecoverable written-off debt	-277 614	-82 681	1 514	-358 781
Mutual guarantee fund - liabilities	**5 650 538**	**719 983**	**-305 908**	**6 064 613**
Doubtful loans to be recovered - assets	-1 346 787	-268 550	289 439	-1 325 898
Available mutual guarantee fund after doubtful loans	**4 303 751**	**451 433**	**-16 469**	**4 738 715**

Doubtful loans to be recovered - assets	1 346 787	268 550	-289 439	1 325 898
Expected loss on doubtful loans - estimated write-off of irrecoverable debt	-548 873	-127 828	119 755	-556 946
Estimated recovery on doubtful loans	**797 914**	**140 722**	**-169 684**	**768 952**
Mutual guarantee fund after expected loss on doubtful loans	**5 101 665**	**592 155**	**-186 153**	**5 507 667**

NOTE A 9-2 - SUBORDINATED DEBT

SUBORDINATED LOANS	Issue date	Due or early repayment date	31/12/2019		31/12/2018	
			Amount	Accrued interest	Amount	Accrued interest
	30/06/2011	30/06/2019			415 186	
	30/12/2011	30/12/2019			286 008	
Undated					701 194	1 593
	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			
	30/12/2019	30/12/2031	288 270			
Dated			1 103 297	2 605	421 567	18
Total equity loans			**1 103 297**	**2 605**	**1 122 761**	**1 611**
SUBORDINATED SECURITIES	Issue date / Due date	Number of securities				
Perpetual bonds	16/03/2006	6 525	326 250	110	326 250	122
ISIN FR 0010301713 (partial redemption of 9,475 securities on 26/11/2017)	indeterminate					
Redeemable bonds	16/02/2011	2 780	278 000	13 251	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	627	500 000	629
ISIN FR 0013299468	28/11/2029					
Total subordinated securities			**1 104 250**	**13 988**	**1 104 250**	**14 002**
TOTAL SUBORDINATED DEBT			**2 207 547**	**16 593**	**2 227 011**	**15 613**

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			53 053
Fund for general banking risks	610			610
TOTAL	**53 663**			**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. France	3,00 %
- BPCE / Crédit Foncier de France	15,50 %		

	31/12/2018	Increase / allocation	Decrease / allocation	31/12/2019
The share capital, fully paid-up, comprises:				
- 17,997,861 ordinary shares	1 259 850			1 259 850
	1 259 850			**1 259 850**
Legal reserve	76 649	5 125		81 774
General reserve	67 238			67 238
TOTAL	**143 887**	**5 125**		**149 012**

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

ASSETS	31/12/2019	31/12/2018	LIABILITIES	31/12/2019	31/12/2018
Credit institutions	20 147	25 886	Credit institutions	188	127
Interests in affiliated companies	9	11	Subordinated debt	16 593	15 613
Bonds and other fixed-income securities	12 356	11 024	Other liabilities: tax and social security liabilities	5 084	3 492
Other assets: tax claims	8	10 919	Accruals:		
Accruals:			- forward financial instruments	10 343	10 028
- guarantees	456 041	430 376			
- suppliers	4	8			
- forward financial instruments	11 250	10 137			
Accrued income	**499 815**	**488 361**	**Deferred expenses**	**32 208**	**29 260**
Accruals:			Accruals:		
- issue costs to be amortised	182	338	- sureties - Initio tariff	286 640	274 756
- suppliers	872	940	- sureties - classical tariff	439 596	405 808
Prepaid expenses	**1 054**	**1 278**	**Deferred income**	**726 236**	**680 564**

NOTE A 11 - OFF-BALANCE SHEET COMMITMENTS RECEIVED

	31/12/2018	Changes	31/12/2019
. Counter-guarantee received (from shareholders or otherwise) relative to the commitment to replenish the mutual guarantee fund	2 171 889	-178 997	1 992 892
TOTAL GUARANTEE COMMITMENTS RECEIVED FROM CREDIT INSTITUTIONS	**2 171 889**	**-178 997**	**1 992 892**
Underlying assets on credit linked certificates		130 000	130 000
COMMITMENTS ON SECURITIES TO BE RECEIVED		**130 000**	**130 000**
Master financial guarantee agreement pursuant to Art. L211-38 of the French monetary and financial code (CMF)			
Listed securities received as collateral	109 050	68 734	177 784
Claim on Crédit Logement - equity loans	331 551	-115 819	215 732
Eligible receivables resulting from loans, credits or funding to legal persons	309 343	-166 252	143 091
ADDITIONAL INFORMATION : OTHER SECURITIES RECEIVED AS COLLATERAL - PLEDGES	**749 944**	**-213 337**	**536 607**

NOTE A 12 - OFF-BALANCE SHEET COMMITMENTS GIVEN

NOTE A 12-1 - CHANGES IN COMMITMENTS GIVEN

	31/12/2018	Incoming	Amortisation/diff.	Outgoing	31/12/2019
Guarantees on property loans - Guarantee agreements arranged	345 746 121	79 115 002	-24 685 491	-25 460 214	374 714 357
Estimated unpaid instalments on property loans before call-in of guarantee	30 877		1 061		31 938
	345 776 998	79 115 002	-24 684 430	-25 460 214	374 746 295
Guarantee agreements not yet arranged	39 387 280		6 548 114		45 935 394
Guarantee of property loans to retail customers	**385 164 278**	**79 115 002**	**-18 136 316**	**-25 460 214**	**420 681 689**
Financial guarantees	**91**	**201**		**-91**	**201**
GUARANTEE COMMITMENTS AT THE REQUEST OF CUSTOMERS	**385 164 369**	**79 115 203**	**-18 136 316**	**-25 460 305**	**420 681 890**

NOTE A 12-2 - BREAKDOWN BY RESIDUAL TERM

Guarantees at the request of customers	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	TOTAL
Guarantees on property loans - Guarantee agreements arranged	183 405	1 583 778	15 916 566	357 030 608	374 714 357
Guarantee commitments not yet implemented		45 935 394			45 935 394
Estimated unpaid installments before call on guarantee	31 938				31 938
Financial guarantees	201				201
TOTAL	**215 544**	**47 519 172**	**15 916 566**	**357 030 608**	**420 681 890**

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	373 966 552	300 441	747 805	237 947	374 714 357
Estimated unpaid installments before call on guarantee	31 938				31 938
Guarantee commitments not yet implemented	45 935 394				45 935 394
Financial guarantees	201				201
TOTAL	**419 934 085**	300 441	**747 805**	237 947	**420 681 890**

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	5 306 200	66 395	75 950	75 306
Outside agreement scope	100 000		5 482	5 258
TOTAL	**5 406 200**		**81 432**	**80 564**

No transfer between categories was made in 2018

Interest rate instruments - by remaining term	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	TOTAL
Firm micro-hedging transactions			674 700	1 231 500	1 906 200
Firm macro-hedging transactions (fixed rate for buyer)		140 000	1 130 000	2 230 000	3 500 000
TOTAL		**140 000**	**1 804 700**	**3 461 500**	**5 406 200**

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

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

	31/12/2019	31/12/2018
Interest on demand deposit accounts	38	47
Interest on term deposit accounts (counterparty for subordinated loans)	3 746	6 119
Interest on term loans and advances	32 014	40 013
Income on forward financial instruments	51 784	49 560
Transactions with credit institutions	**87 582**	**95 739**
Loans to Crédit Logement staff	2	3
Interest on doubtful loans (late payment interest on guaranteed debt)	5 871	6 305
Transactions with customers	**5 873**	**6 308**
Interest on securities received under repurchase agreements	1 690	803
Interest income on debt securities held to maturity	21 493	20 104
Miscellaneous income on securities transactions	127	691
Interest on bonds and fixed-income securities	**24 410**	**21 598**
TOTAL INTEREST INCOME AND EQUIVALENT	**117 865**	**123 645**
Interest on demand deposit accounts	-76	-40
Interest or balancing payment on term loans	-79	-38
Interest on term account	-1 749	-80
Interest on undated subordinated loans and determined	-9 616	-11 301
Interest on subordinated securities	-24 569	-24 646
Interest on cash collateral	-64	-128
Expenses on debt securities held to maturity	-4 153	-3 725
Expenses on forward financial instruments	-23 924	-20 748
TOTAL INTEREST EXPENSE AND EQUIVALENT	**-64 230**	**-60 706**

NOTE B 2 - PROCEEDS FROM VARIABLE-INCOME SECURITIES

	31/12/2019	31/12/2018
Interest on partner current account with SNC Foncière Sébastopol	38	37
TOTAL PROCEEDS FROM VARIABLE-INCOME SECURITIES	**38**	**37**

NOTE B 3 - COMMISSION (INCOME AND EXPENSE)

	31/12/2019	31/12/2018
Guarantee commissions relating to off-balance-sheet commitments given on guaranteed property loans	152 008	139 615
TOTAL COMMISSION (INCOME)	**152 008**	**139 615**
Bank commission and fees	-673	-633
Commission and fees on the issue of subordinated securities	-106	-104
TOTAL COMMISSION (EXPENSE)	**-779**	**-737**

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

	31/12/2019	31/12/2018
Loss on foreign exchange transactions	-1	-2
Gain on foreign exchange transactions		
TOTAL GAIN OR LOSS ON TRADING PORTFOLIO	**-1**	**-2**

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

	31/12/2019	31/12/2018
Capital loss on the disposal of securities held for investment	-1 803	-98
Capital gains on the disposals of held for investment	2 149	
Charges to and reversals of provisions on securities held for investment	1 918	-52
TOTAL GAIN OR LOSS ON INVESTMENT PORTFOLIO	**2 264**	**-150**

NOTE B 6 - OTHER INCOME AND EXPENSE FROM BANKING OPERATIONS

	31/12/2019	31/12/2018
Income from debt collection on behalf of third parties (management and recovery fees)	2 278	2 440
Ancillary income (Crédit Logement Assurance / SNC Foncière Sébastopol)	57	82
Other ancillary income	181	143
Miscellaneous income	2 092	228
TOTAL OTHER OPERATING INCOME	**4 608**	**2 893**
Loss on SNC Foncière Sébastopol	-160	-141
Miscellaneous expenses	-231	-174
TOTAL OTHER OPERATING EXPENSE	**-391**	**-315**

NOTE B 7 - GENERAL OPERATING EXPENSES

	31/12/2019	31/12/2018
Salaries and wages	-18 510	-17 447
Social security charges	-8 194	-7 999
Salary-based taxes	-3 179	-2 681
Expenses related to retirement benefits	-3 880	-2 587
Discretionary employee profit-sharing	-416	-1 057
Statutory employee profit-sharing	-2 292	-1 513
Provisions for litigation		-497
Personnel costs	**-36 471**	**-33 781**
Taxes	**-4 589**	**-5 344**
Rentals	-1 337	-1 254
Transport and travel	-149	-162
Other external services	-8 672	-8 568
Provisions for risks and expenses	295	-420
External services	**-9 863**	**-10 404**
Other administrative expenses	**-14 452**	**-15 748**
TOTAL GENERAL OPERATING EXPENSES	**-50 923**	**-49 529**

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

	31/12/2019	31/12/2018
Software and licenses	-3 156	-2 444
Intangible fixed assets	**-3 156**	**-2 444**
Structural components	-49	-48
Roof/facade	-85	-87
Office equipment	-39	-40
Club Affaires machinery and equipment	-3	-3
Office furniture	-64	-64
Club Affaires furniture		-1
Computer hardware	-237	-317
Fixtures and fittings - non building	-324	-321
Fixtures and fittings - building	-223	-261
Technical equipment	-330	-304
Tangible fixed assets	**-1 354**	**-1 446**
TOTAL	**-4 510**	**-3 890**

NOTE B 9 - GAINS OR LOSSES ON FIXED ASSETS

	31/12/2019	31/12/2018
Capital losses on the disposal of fixed assets	-77	
Capital gains on disposal of fixed assets		
Capital losses on disposals of equity interests	-1 049	
Provisions for impairment of participating interests	2 158	
TOTAL	**1 032**	

NOTE B 10 - CORPORATE INCOME TAX

	31/12/2019	31/12/2018
On ordinary income	-53 099	-51 539
Additional tax assessment	-513	
Contribution on distributed income		3 164
TOTAL *	**-53 612**	**-48 375**
* of which corporate income tax instalments already paid	-51 576	-61 619

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 *	35		2 289
To all managers	871	22	3 024
- fixed component	663		
- variable component	148		
- benefits in kind and add-back of death, disability and related benefits	60		
To all "regulated" staff members	1 529		

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

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

	Fees
Statutory audit	196
Ancillary services*	

NOTE C 3 - AVERAGE WORKFORCE BY OCCUPATIONAL CATEGORY

	31/12/2019	31/12/2018
Management *	2	2
Senior members of staff	245	239
Supervisors	60	62
Employees	25	25
TOTAL	**332**	**328**

* 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

Value of the collective fund administered externally	9 208
Amount corresponding to actuarial commitments	9 162

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)*
Estimated annual service cost payable to company officers as at 31/12/2019 under
Art. D 225-104-1 of the French commercial Code: 105

Benefits in respect of voluntary or compulsory retirement

Value of the collective fund administered externally	2 164
Amount corresponding to actuarial commitments	2 204

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	103 369
Retained earnings from the previous year	688
Earnings to be allocated	**104 057**
Breakdown of allocated earnings	
Legal reserve	5 168
General reserve	
Dividends - shares	98 088
Retained earnings	801
TOTAL	**104 057**

FINANCIAL RESULTS

in thousand euros

	2015	2016	2017	2018	**2019**
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)	496 580	274 870	345 475	266 189	**276 668**
Earnings before tax, depreciation and provisions	376 183	168 915	187 479	155 720	**157 121**
Corporate income tax	135 840	56 452	66 205	48 375	**53 612**
Earnings after tax, depreciation and provisions	236 015	107 795	120 607	102 486	**103 369**
Profit distributed		102 408	264 568*	246 571	**0**
Earnings per share for operations (in euros)					
Earnings after tax but before depreciation and provisions	13,35	6,25	6,74	5,96	**5,75**
Earnings after tax, depreciation and provisions	13,11	5,99	6,70	5,69	**5,74**
Dividend per share		5,69	14,70*	13,70	**0**
Workforce					
Average headcount**	305	316	325	328	**332**
Payroll	16 525	17 036	17 769	17 447	**18 510**
Staff benefits	11 118	10 923	10 921	10 587	**12 073**

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

** Without managing director

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