

Crédit Mutuel

Home Loan SFH

Société anonyme (French limited company) with share capital of €220,000,000

Registered office: 6 avenue de Provence – 75452 Paris Cedex 9

Paris Trade and Companies Register 480 618 800

ANNUAL FINANCIAL REPORT

This report presents the Company's activities in 2019, in accordance with Article L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulation of the *Autorité des Marchés Financiers* (AMF - French Financial Markets Authority).

It consists of:

- ❖ The certification of the person responsible for the annual financial report
- ❖ The Board of Directors' management report
- ❖ The Board of Directors' report on corporate governance
- ❖ The annual financial statements for the fiscal year ended December 31, 2019
- ❖ The statutory auditors' report on the financial statements for the period ended December 31, 2019
- ❖ The statutory auditors' special report on regulated agreements and commitments
- ❖ The draft resolutions submitted to the annual ordinary shareholders' meeting

DISSEMINATION OF INFORMATION

Regulatory reports, prospectuses and issue documentation are available on Crédit Mutuel Home Loan SFH's website:

<https://www.creditmutuel-homeloansfh.eu/en/index.html>

Crédit Mutuel

Home Loan SFH

Société anonyme (French limited company) with share capital of €220,000,000

Registered office: 6 Avenue de Provence – 75452 Paris Cedex 9

Paris Trade and Companies Register 480 618 800

Person responsible for the annual financial report
Christian Ander - Chief Executive Officer

Certification of the person responsible for the annual financial report

After taking all reasonable measures to this effect, I certify that, to the best of my knowledge, the information contained in the annual financial statements for the year ended December 31, 2019 is consistent with the facts and does not contain such omissions as may adversely affect its scope.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the company, and that the attached management report gives a true and fair view of changes in the business, results and financial position of the company as well as a description of the main risks and uncertainties faced by the company.

The annual financial statements of the company as of December 31, 2019 are the subject of a statutory auditors' report with no observations.

Paris, March 30, 2020

Christian Ander
Chief Executive Officer

Crédit Mutuel
Home Loan SFH

Société anonyme (French limited company) with share capital of €220,000,000
Registered office: 6 avenue de Provence – 75452 Paris Cedex 9
Paris Trade and Companies Register 480 618 800

**BOARD OF DIRECTORS' MANAGEMENT REPORT
ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2019**

March 2020

CONTENTS

I. COMPANY STATUS AND ACTIVITIES.....	3
1. KEY EVENTS DURING THE YEAR	3
2. FUTURE OUTLOOK	3
3. KEY EVENTS BETWEEN THE YEAR-END AND THE DATE OF THIS REPORT	3
4. BRANCHES.....	4
5. SUBSIDIARIES AND INVESTMENTS	4
6. EMPLOYEE SHARE OWNERSHIP	4
7. OWNERSHIP	4
II. RESULTS, FINANCIAL POSITION AND DEBT	5
1. STATEMENT OF FINANCIAL POSITION	5
<i>a. ASSETS</i>	5
<i>b. LIABILITIES AND SHAREHOLDERS' EQUITY</i>	6
<i>c. PROFIT</i>	7
<i>d. STATEMENT OF NET CASH FLOWS</i>	8
<i>e. COVER POOL</i>	9
2. FINANCIAL POSITION AND PRUDENTIAL RATIOS.....	10
3. DEBT.....	10
III. DESCRIPTION OF KEY RISKS AND UNCERTAINTIES AND RISK MANAGEMENT SYSTEM	10
1. CREDIT AND COUNTERPARTY RISK	10
2. INTEREST RATE, FOREIGN EXCHANGE AND MARKET RISK.....	12
3. LIQUIDITY RISK	13
4. OPERATIONAL RISK	14
5. LEGAL RISK	14
IV. RESEARCH AND DEVELOPMENT ACTIVITIES.....	15
V. EMPLOYMENT AND ENVIRONMENTAL IMPACTS AND COMMITMENTS TO SUSTAINABLE DEVELOPMENT – NON-FINANCIAL PERFORMANCE STATEMENT	15
VI. INFORMATION ON PAYMENT TERMS OF CUSTOMERS AND SUPPLIERS.....	15
VII. DIVIDENDS PAID IN THE LAST THREE FISCAL YEARS	16
APPENDICES	16
1. REPORT ON INTERNAL CONTROL	16
2. SUMMARY OF RESULTS FOR THE PAST FIVE FISCAL YEARS.....	16

I. COMPANY STATUS AND ACTIVITIES

Crédit Mutuel Home Loan SFH was licensed by the French Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement* - CECEI) at its meeting on May 31, 2007. At its meeting on March 28, 2011, the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) authorized the company to opt for the status of "home loan financing company" (*Société de Financement de l'Habitat* - SFH).

The company's sole purpose is to help to refinance Crédit Mutuel Alliance Fédérale. As such, US 144A documentation was prepared in 2012 to enable the company to reach new investors in the United States.

1. KEY EVENTS DURING THE YEAR

Central banks were once again forced to take action amid a global economy that was severely hit by US/China trade tensions and fears of a no-deal Brexit.

Against this backdrop, the ECB quickly reassured the markets with positive announcements on liquidity. These were followed by concrete measures in September 2019 in the form of a cut in the deposit rate from -0.40% to -0.50%, interest rate tiering measures for up to six times the amount of banks' mandatory reserves, the resumption of quantitative easing (QE) at a rate of €20 billion a month and the start of TLTRO 3.

On January 22, 2019, Crédit Mutuel Home Loan SFH completed a dual-tranche issue maturing in five years and ten years. This novel approach helped optimize the final size of the transaction by targeting a wider range of investors. Its success made it possible to issue €2 billion (€1 billion for each tranche).

A further €2 billion (€1 billion in a 9-year issue and €1 billion in an 11-year issue) was placed in April and purchased by BFCM as part of its emergency measures package in the event of market closure.

2. FUTURE OUTLOOK

Our company participates in the refinancing of Crédit Mutuel Alliance Fédérale and will carry out issues on the markets in 2020.

3. KEY EVENTS BETWEEN THE YEAR-END AND THE DATE OF THIS REPORT

One key event that has occurred since December 31, 2019 is the exceptional and unprecedented crisis caused by the COVID-19 pandemic. Crédit Mutuel Alliance Fédérale's priorities in this context are to protect all its employees and their families, and provide local support to customers and members.

It immediately took steps to support the economy by unconditionally suspending the due dates for medium- and long-term repayment loans granted by Crédit Mutuel Alliance Fédérale to companies, self-employed professionals and farmers. Suspensions will last through the end of September 2020 and will not incur any fees. Crédit Mutuel Alliance Fédérale will also implement the public authorities' support measures for its customers as soon as possible.

On this basis, Crédit Mutuel Alliance Fédérale's Crisis Committee is taking all necessary measures, in close cooperation with managers and crisis units at all the entities and with the public and health authorities.

Crédit Mutuel Alliance Fédérale has made the continuity of its essential activities its top priority. It has therefore had to adjust its work methods, including:

- roll-out of emergency and business continuity plans (EBCPs) in the various activities;
- implementation of telework, whenever possible, with upgraded remote connection equipment and infrastructure.

The recent and unprecedented nature of this crisis makes it impossible to estimate its impacts on the activity, financial position, results and risk trends for fiscal year 2020.

4. BRANCHES

As of December 31, 2019, the company had no branches.

5. SUBSIDIARIES AND INVESTMENTS

In accordance with Article L. 233-13 of the French Commercial Code regarding information on control of companies, the company has no subsidiaries.

6. EMPLOYEE SHARE OWNERSHIP

Not applicable.

7. OWNERSHIP

Crédit Mutuel Home Loan SFH is a 99.99%-owned subsidiary of Banque Fédérative du Crédit Mutuel.

Readers are reminded that the company has no employees.

II. RESULTS, FINANCIAL POSITION AND DEBT

1. STATEMENT OF FINANCIAL POSITION

a. ASSETS

ASSETS (€millions)	Note	2019 December 31	2018 December 31
Cash, central banks			
Government securities and similar instruments			
Receivables due from credit institutions	2	26,874.5	27,523.7
Client transactions			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Investments in subsidiaries and other long-term investments			
Investments in associates			
Lease and similar transactions			
Intangible assets			
Property, plant and equipment			
Subscribed capital unpaid			
Treasury shares			
Other assets	3	2.1	1.7
Accruals	4	75.8	79.6
Total assets		26,952.4	27,605.0

Off-statement of financial position items		2019 December 31	2018 December 31
Commitments received			
Financing commitments			
Commitments received from credit institutions			
Guarantee commitments			
Commitments received from credit institutions	10	35,001.0	31,001.0
Securities commitments			
Optional repurchase agreements			
Other commitments received			

b. LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND SHAREHOLDERS' EQUITY (€millions)	Note	2019 December 31	2018 December 31
Central banks			
Due to credit institutions			
Client transactions			
Debt securities	5	23,841.3	23,540.1
Other liabilities	3	2,750.0	3,700.2
Accruals	4	76.1	79.9
Provisions			
Subordinated debt	6	60.1	60.0
Fund for general banking risks			
Shareholders' equity	7	224.9	224.8
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.8	1.6
- Revaluation reserve			
- Untaxed provisions			
- Retained earnings			0.1
- Profit/(loss) for the period		3.1	3.1
Total liabilities and shareholders' equity		26,952.4	27,605.0
Off-statement of financial position items		2019	2018
		December 31	December 31
Commitments given			
Financing commitments			
Commitments given to credit institutions			
Commitments given to customers			
Guarantee commitments			
Commitments given on behalf of credit institutions			
Commitments given on behalf of customers			
Securities commitments			
Optional resale agreements			
Other commitments given			

Liabilities mainly consist of securities issued by SFH.

In addition, the "Other liabilities" item, created after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013, represents collateral offered by BFCM in connection with the pre-maturity test. This item totaled €2.750 billion at December 31, 2019.

Assets correspond to the on-lending of these funds to BFCM.

The off-statement of financial position assets of €35 billion correspond to home loans offered as collateral by SFH's providers of collateral.

c. PROFIT

(€millions)	Note	2019 December 31	2018 December 31
+ Interest and similar income	14	447.0	503.7
+ Interest and similar expense	14	(441.3)	(498.3)
+ Income from variable-income securities			
+ Fee and commission income			
+ Fee and commission expense			
+/- Gains (losses) on trading portfolio transactions			
+/- Gains (losses) on investment portfolio and similar transactions			
+ Other banking operating income			
+ Other banking operating expense			
= Net banking income		5.7	5.4
+ Employee benefits expense			
+ Other administrative expenses		(1.0)	(0.8)
+ Depreciation and amortization			
= Operating expenses		(1.0)	(0.8)
= Gross operating income		4.7	4.6
+ Net additions to/reversals from provisions for loan losses			
= Operating income		4.7	4.6
+/- Gains (losses) on non-current assets			
= Income before non-recurring items		4.7	4.6
+/- Non-recurring items			
+ Corporate income tax	15	(1.6)	(1.5)
+/- Movements in fund for general banking risks			
+/- Movements in untaxed provisions			
= Net profit/(loss)		3.1	3.1

The company reported net profit for the year of €3.1 million, flat compared with 2018.

d. STATEMENT OF NET CASH FLOWS

(€thousands)	12.2019	12.2018
Net profit/(loss)	3,140	3,066
Tax	1,572	1,529
Profit/(loss) before tax	4,712	4,595
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	0	0
- Impairment of goodwill and other non-current assets	0	0
+/- Net charges to provisions	0	0
+/- Share of profit/(loss) of equity-consolidated companies	0	0
+/- Net loss/gain from investing activities	0	0
+/- Expense from financing activities	0	0
+/- Other movements	-5,001	11,283
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	-5,001	11,283
+/- Cash flows relating to transactions with credit institutions	649,096	-4,943,842
+/- Cash flows relating to client transactions		
+/- Cash flows relating to other transactions affecting financial assets and liabilities	0	0
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	-945,344	3,405,048
- Tax paid	-1,671	-1,039
= Net decrease in assets and liabilities from operating activities	-297,919	-1,539,833
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	-298,208	-1,523,955
+/- Cash flows relating to financial assets and investments	0	0
+/- Cash flows relating to investment property	0	0
+/- Cash flows relating to property, plant and equipment and intangible assets	0	0
TOTAL NET CASH FLOWS RELATING TO INVESTING ACTIVITIES	0	0
+/- Cash flows relating to transactions with shareholders	-2,970	-7,810
+/- Other net cash flows relating to financing activities	300,000	1,526,811
TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES	297,030	1,519,001
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	0	0
Net increase in cash and cash equivalents	-1,178	-4,954
Net cash flows from operating activities	-298,208	-1,523,955
Net cash flows relating to investing activities	0	0
Net cash flows relating to financing activities	297,030	1,519,001
Impact of changes in exchange rates on cash and cash equivalents	0	0
<u>Cash and cash equivalents at beginning of period</u>	<u>279,301</u>	<u>284,255</u>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	279,301	284,255
<u>Cash and cash equivalents at end of period</u>	<u>278,123</u>	<u>279,301</u>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	278,123	279,301
CHANGE IN NET CASH AND CASH EQUIVALENTS	-1,178	-4,954

e. COVER POOL

Collateral for secured loans consists of a portfolio of receivables made up entirely of mortgage-backed receivables totaling €35,001,022,499 at December 31, 2019.

The main characteristics of the home loan portfolio recognized at December 31, 2019, based on the capital outstanding at November 30, 2019, were as follows:

Total capital outstanding as at 11/30/2019	€35,001,022,499
Average outstanding loan	€87,465
Number of loans	400,173
Number of borrowers	349,069

Average age of loans (months)	67
Average residual maturity (months)	169

Proportion of fixed-rate loans	95.5%
Average interest rate on fixed-rate receivables	2.10%
Average interest rate on variable-rate receivables	1.88%

Breakdown by type of security		
Type of security	Total capital outstanding	Proportion by type of security
"Crédit Logement" guarantee	€10,196,974,669	29.13%
Crédit Mutuel Caution Habitat (CMCH SA) guarantee	€238,375,241	0.68%
First-rate mortgage or lender's priority lien	€24,565,672,590	70.19%
TOTAL	€35,001,022,499	100%

Breakdown by type of loan		
Type of loan	Total capital outstanding	Number of loans
Standard	€30,949,856,814	344,368
Home savings plans/accounts	23,307,942	3,972
Interest-free loans	€0	-
Low-income housing loans	€2,712,597,323	36,837
Regulated loans	€1,315,260,420	14,996
TOTAL	€35,001,022,499	400,173

Breakdown by number of loans in arrears		
Number of monthly repayments missed	Total capital outstanding	Number of loans
0	€35,001,022,499	400,173
> 0	-	-
TOTAL	€35,001,022,499	400,173

These loans are taken out by customers of CIC's regional banks and Crédit Mutuel's local banks and offered as collateral by BFCM.

2. FINANCIAL POSITION AND PRUDENTIAL RATIOS

At the request of Crédit Mutuel Home Loan SFH, on June 19, 2014 the General Secretariat of the ACPR (SGACPR) agreed to allow the company to be exempt from the application on an individual basis of prudential requirements related to solvency ratios, the leverage ratio and major risks, as well as from application of the 75% ceiling on cash receipts for calculating liquidity coverage.

The company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

3. DEBT

Readers are reminded that the company's borrowing capacity is limited by its articles of association: it may only take on debt in the form of housing finance bonds (*obligations de financement à l'habitat*) and subordinated debt.

In accordance with the company's corporate purpose, issues of housing finance bonds are intended to refinance personal home loans granted by the Crédit Mutuel Alliance Fédérale banks, full ownership of which is transferred as collateral by Banque Fédérative du Crédit Mutuel. As principal and interest repayments become due, BFCM repays the corresponding amounts in respect of the loans granted to it.

Furthermore, Crédit Mutuel Home Loan SFH's borrowing capacity is dependent upon its compliance with prudential ratios laid down in applicable regulations.

Articles L. 441-6-1 and D. 441-4 of the French Commercial Code require companies to provide specific information on the maturity dates of amounts due to suppliers. In the case of Crédit Mutuel Home Loan SFH, these amounts are negligible.

III. DESCRIPTION OF KEY RISKS AND UNCERTAINTIES AND RISK MANAGEMENT SYSTEM

The sole corporate purpose of Crédit Mutuel Home Loan SFH is to help to refinance Crédit Mutuel Alliance Fédérale by issuing covered bonds based on a home loan portfolio pledged as collateral on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code.

1. CREDIT AND COUNTERPARTY RISK

Due to its limited corporate purpose, Crédit Mutuel Home Loan SFH's credit risk is strictly regulated. Funds may only be used as follows:

- On-lending of funds raised by issuing securities: these funds may only be lent to BFCM. This lending is itself secured by collateral in the form of home loans granted by Crédit Mutuel Alliance Fédérale, on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code. The overall amount of lending and compliance with loan eligibility criteria are checked monthly and documented in an "Asset Cover Test" report.

- On-lending of capital is governed by the following limits:
 - Regulatory limits: Articles L. 513-7 and R. 513-6 set minimum credit quality levels for these investments.
 - Contractual limits: rating agencies have laid down minimum credit ratings that vary according to the term of the loan.

Duration/Minimum rating	S&P	Fitch	Moody's
< 30 days	A-1 or A	F1 and A	P-1
30 to 60 days	A-1	F1+ and/or AA-	P-1
60 days to 3 months	A-1+ or AA-	F1+ and/or AA-	P-1
< 1 year	A-1+ or AA-	F1+ and/or AA-	P-1

- Should BFCM default, the company would become the owner of the home loans offered as collateral. An analysis of this collateral by internal rating demonstrates the portfolio's high credit quality and is presented in the table below.

Rating	Outstandings (€m) ⁽¹⁾	Percentage	Aggregate percentage
A	19,543	56%	56%
B	10,223	29%	85%
C	3,687	11%	96%
D+	882	3%	99%
D-	515	1%	100%
E+	151	0%	100%
E-	-	0%	100%
E=	-	0%	100%
F	-	0%	100%
TOTAL	35,001	100%	

(1) Outstandings at 11/30/2019 shown as guarantee commitments received in SFH's financial statements at 12/31/2019

There are no non-performing or overdue loans in the portfolio offered as collateral.

The breakdown of these home loans by type of security is as follows:

Type of security	Outstandings (€m) ⁽¹⁾
Home mortgage guarantees	24,566
Guarantees provided by a credit institution	10,435
TOTAL	35,001

(1) Outstandings at 11/30/2019 shown as guarantee commitments received in SFH's financial statements at 12/31/2019

Guaranteed loans are secured either by Crédit Logement or by Crédit Mutuel Caution Habitat SA (CMCH SA), a subsidiary of BFCM.

Type of guarantee	Outstandings (€m) ⁽¹⁾
Crédit Logement	10,197
Crédit Mutuel Caution Habitat SA	238
TOTAL	10,435

(1) Outstandings at 11/30/2019 shown as guarantee commitments received in SFH's financial statements at 12/31/2019

The present LTV (ratio of the principal balance to the present value of the assets) is 63% on average.

2. INTEREST RATE, FOREIGN EXCHANGE AND MARKET RISK

Interest rate risk

Crédit Mutuel Home Loan SFH is required to operate in such a way that it is not exposed to interest rate risk.

- Funds collected by issuing securities must be lent to BFCM at the same interest rates and for the same terms (plus 10% of the margin generated relative to an unsecured issue, with a minimum of 2 bp). This means that assets and liabilities are perfectly matched by term and interest rate.
- The only way the company could be exposed to interest rate risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans.

In accordance with the update to the issue program in July 2015 and with the approval of the rating agencies, this potential interest rate risk using a look-through approach is covered by a natural matching of assets and liabilities and by overcollateralization.

In fact, the vast majority (approximately 96%) of the cover pool assets are fixed-rate loans, and these assets are matched to liabilities by fixed-rate issues in the same proportion. The average interest rate of the cover pool (2.09% at 11/30/2019) and the average interest rate of bonds issued (1.75% at 11/30/2019) is monitored monthly. The overcollateralization rate resulting from the calculation of the Asset Cover Test negotiated with the rating agencies is always more than 74.9% (= Asset Percentage). The company is committed to maintaining this level of overcollateralization to meet the rating targets and regulatory requirements.

In addition, an ex-ante analysis of the potential interest rate risk using a look-through approach was carried out. It entails using the group's asset-liability management tool to monitor changes in the loans in the pool and issues. This highlights the interest rate sensitivity (plus or minus 200bp) of these two large volumes. SFH can easily bear this impact given its equity and overcollateralization.

Foreign exchange risk

The program allows for the possibility that Crédit Mutuel Home Loan SFH carry out issues in foreign currencies. In such cases, the loan to BFCM is also made in the issue currency.

- To date, Crédit Mutuel Home Loan SFH has carried out the following foreign currency issues:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
300,000,000	NOK	39,698,293	3/22/2012	3/22/2022
750,000,000	NOK	96,961,862	10/7/2011	10/7/2024

The funds raised via these issues were lent to BFCM under the same terms.

- The only way the company could be exposed to foreign exchange risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans, all of which are denominated in euros, while having to make repayments in foreign currencies. The issue program documentation requires Crédit Mutuel Home Loan SFH to enter into specific foreign currency swaps with counterparties that must meet detailed rating criteria in order to hedge this risk as soon as BFCM's rating is downgraded.
- Since a first-level rating criterion has been met, hedging swaps have been set up. BFCM has the necessary rating level and so is the counterparty to these swaps. In fact, BFCM's rating meets the eligibility criteria

provided for in the issue program documentation: A (long-term) from Standard & Poor's, P-1 (short-term) and Aa3 (long-term) from Moody's and F1 (short-term) / A+ (long-term) from Fitch. Furthermore, since no collateral has been transferred, the company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

Market risk

In accordance with its limited corporate purpose, Crédit Mutuel Home Loan SFH is not involved in any capital market activity other than issuing covered bonds and on-lending the funds raised in this way to BFCM under the same terms.

An adverse change in market conditions would only affect Crédit Mutuel Home Loan SFH's ability to raise funds in the bond market.

3. LIQUIDITY RISK

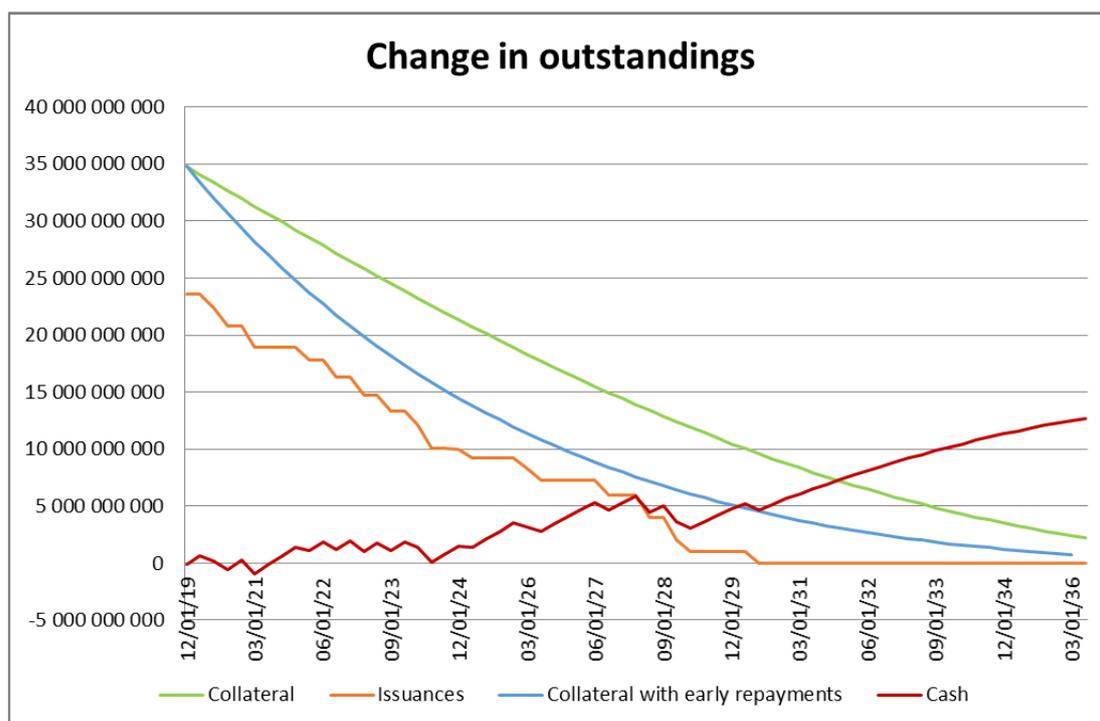
Crédit Mutuel Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel Home Loan SFH does not engage in maturity transformation.

- The only way the company could be exposed to liquidity risk would be if BFCM were to default. As indicated above, the company would then need to enforce its security and would become the owner of the home loans. The issue program documentation provides for a pre-maturity test to address this risk.
- The pre-maturity test requires BFCM to set aside a cash security deposit in the 180 business days before a covered bond issue matures. This deposit must be sufficient to cover the principal repayments falling due during the period in question. Failure to meet this obligation would represent default by BFCM.
- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. As a result, collateral was put in place to cover issues due to mature within 180 business days, and the funds thus obtained were deposited in term accounts maturing in less than 30 days. The amount of this collateral was €2.750 billion at 12/31/2019.

These mechanisms are considered compliant with the requirements of Article R. 513-7 of the French Monetary and Financial Code.

- Should BFCM default, the company would become the owner of the home loans offered as collateral.

The chart below shows the portfolio's amortization profile compared with the amortization of the issues and the resulting cash balance.



This simulation shows some occasional slight cash shortfalls, mainly in the second quarter of 2020 and the first quarter of 2021. However, this cash balance does not take account of early repayments, which would cover these theoretical shortfalls.

- The company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

4. OPERATIONAL RISK

In line with its articles of association, Crédit Mutuel Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and Caisse Fédérale de Crédit Mutuel under various agreements. Internal control of outsourced activities is organized in accordance with the process defined by Group Compliance. The company's operational risk policy is in line with the global policy implemented by Crédit Mutuel Alliance Fédérale, particularly in terms of the Emergency and Business Continuity Plan.

5. LEGAL RISK

Legal risk has been analyzed in detail by rating agencies, which have assigned their top rating (AAA) to Crédit Mutuel Home Loan SFH's program.

To help it achieve its corporate purpose, Crédit Mutuel Home Loan SFH is advised by external legal advisers, including in particular law firms.

More broadly, under the above-mentioned agreements, Crédit Mutuel Home Loan SFH receives assistance from Crédit Mutuel Alliance Fédérale for all its activities.

IV. RESEARCH AND DEVELOPMENT ACTIVITIES

In light of Article L. 232-1 of the French Commercial Code, readers are informed that the company has not engaged in any research and development activity during the year under review.

V. EMPLOYMENT AND ENVIRONMENTAL IMPACTS AND COMMITMENTS TO SUSTAINABLE DEVELOPMENT – NON-FINANCIAL PERFORMANCE STATEMENT

Article 225 of the Grenelle II Act of July 12, 2010 and its implementing decree of April 24, 2012 extend the requirements, particularly for companies that issue securities on a regulated market, to publish information in their management report on the "employment and environmental impacts of their business and on their social commitments to sustainable development."

However, Crédit Mutuel Home Loan SFH has no employees. It is therefore unable to provide any employment information. Moreover, since the company has no buildings of its own, it has no direct environmental footprint. The environmental and social impact of its activities is covered by the policies defined by Crédit Mutuel Alliance Fédérale and presented in the management report of Caisse Fédérale de Crédit Mutuel, which is the parent company as defined in Article L. 233-3 of the French Commercial Code.

VI. INFORMATION ON PAYMENT TERMS OF CUSTOMERS AND SUPPLIERS

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

In our view, the scope of the information provided pertaining to the payment terms referenced in Article D. 441-4 of the French Commercial Code does not include banking and related transactions.

➡ **Outstanding invoices received and issued at the end of the fiscal year which are due**

The sums in question are zero for Crédit Mutuel Home Loan SFH.

➡ **Invoices received and issued for which payment was late during the year (Article D. 441-4 § II)**

There were no transactions involving significant amounts for which payment was late in 2019.

VII. DIVIDENDS PAID IN THE LAST THREE FISCAL YEARS

For fiscal year:	2016	2017	2018
Amount in €	0.045	0.355	0.135
Dividend eligible for the deduction provided for in Article 158 of the French General Tax Code	Yes	Yes	Yes

APPENDICES

1. REPORT ON INTERNAL CONTROL
2. SUMMARY OF RESULTS FOR THE PAST FIVE FISCAL YEARS



Report on internal control

Credit institutions, financing companies and investment firms

(Report prepared pursuant to Articles 258 to 266 of the order of November 3, 2014 on internal control of banking sector, payment services and investment services companies subject to ACPR supervision)

Fiscal year 2019

March 2020

This report, pursuant to Articles 258 to 266 of the order of November 3, 2014 on internal control of banking sector, payment services and investment services companies subject to ACPR supervision, was presented to the Board of Directors on March 18, 2020.

1. Presentation of the activities carried out

Crédit Mutuel Home Loan SFH was licensed by the French Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement* - CECEI) at its meeting on May 31, 2007. At its meeting on March 28, 2011, the ACPR authorized the company to opt for the status of "home loan financing company" (*Société de Financement de l'Habitat* - SFH).

The sole corporate purpose of Crédit Mutuel Home Loan SFH is to help to refinance Crédit Mutuel Alliance Fédérale by issuing covered bonds based on a home loan portfolio pledged as collateral on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code.

The company has an international EMTN program and a US144A program enabling it to reach a wide range of international investors.

The company's activities in 2019 were fully in line with this corporate purpose, without the development of new activities, and consisted of the following operations:

- 4 issues, including two covered bonds issued and retained by BFCM, totaling €4 billion:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
1,000,000,000	EUR	1,000,000,000	1/30/2019	4/30/2024
1,000,000,000	EUR	1,000,000,000	1/30/2019	1/30/2029
1,000,000,000	EUR	1,000,000,000	4/10/2019	4/10/2030
1,000,000,000	EUR	1,000,000,000	4/10/2019	4/10/2028

- on-lending of funds raised through these issues to BFCM.

In addition, the company's capital is deposited with BFCM.

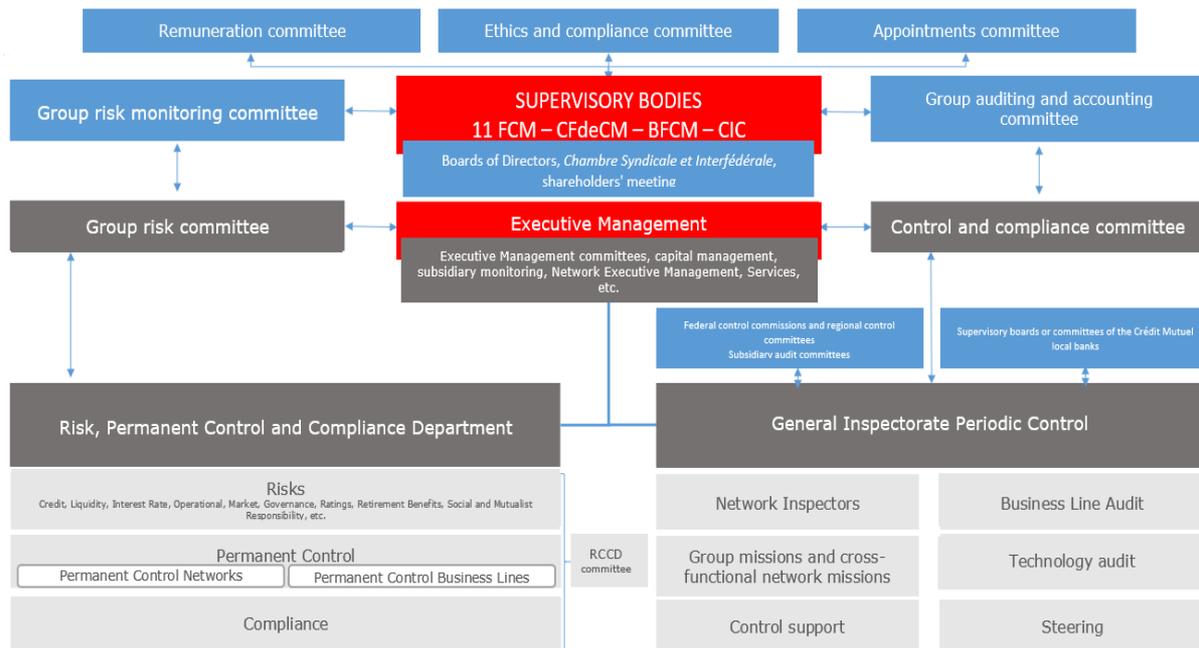
2. Overview of the internal control system

2.1. Organization at the Crédit Mutuel Alliance Fédérale level

The internal control system constitutes a cohesive set of procedures tailored to the needs and organization of Crédit Mutuel Alliance Fédérale.

In order to meet regulatory and prudential requirements and adhere to the operating principles that Crédit Mutuel Alliance Fédérale has established through its governing bodies, in the spirit of cooperation that has always guided its strategy, the internal control system brings together all Group functions involved in risk management and control.

Organizational chart of Crédit Mutuel Alliance Fédérale's risk management and control system:



In accordance with the order of November 3, 2014, the system comprises three functions:

- Periodic Control,
- Permanent Control,
- Compliance.

The last two functions, which are part of a common Risk, Permanent Control and Compliance Department (see above), are subject to control by the first function.

The organization and responsibilities of Crédit Mutuel Alliance Fédérale's Periodic Control function are governed by General Confederal Decision No. 1-2017 on the internal control system at the Crédit Mutuel group.

The organization and responsibilities of Crédit Mutuel Alliance Fédérale's Compliance function are also part of a more general system coordinated by CNCM on the basis of General Confederal Decision No. 2-2017 on the compliance system at the Crédit Mutuel group.

The consistency of the overall system is ensured by the control and compliance committee, which is chaired by an effective manager. This committee reports to the Group auditing and accounting committee, which represents the Crédit Mutuel Alliance Fédérale's supervisory bodies.

To perform their functions, the heads of the control departments in principle have permanent and unrestricted access to individuals, premises, equipment, software and information of any kind throughout Crédit Mutuel Alliance Fédérale. They may delegate any or all of their rights to their employees as needed for specific assignments.

2.2. Crédit Mutuel Home Loan SFH's internal control system

Crédit Mutuel Home Loan SFH's internal control system is in line with that of Crédit Mutuel Alliance Fédérale.

The company has implemented a permanent control and compliance system, with the Group's assistance, that reflects its limited corporate purpose and lack of own resources.

The units responsible for executing transactions are segregated from those responsible for transaction validation and settlement and for risk monitoring.

First-level controls are performed by all employees acting on the company's behalf as part of the management of accounting, administrative, regulatory and data processing transactions. Some of these controls are pre-integrated into the IT processes (e.g., access rights, limit checks and permission levels).

The control system implemented on behalf of the company is also based on the following principles:

- *first-level control*: this is performed by all the operational teams involved in Crédit Mutuel Home Loan SFH's operation, particularly the Collateral Management and Monitoring and Front Office functions, on the one hand, and the Back Office and Middle Office functions, on the other. Issues related to the company's management are the responsibility of the Group's funding structure teams and those related to operations and risk control are handled by the CIC Marchés teams under the responsibility of the head of post-market activities.
- *second-level control*: a capital markets activities team, which acts exclusively as an auditor, is responsible for monitoring risk and the controls performed. This team reports to the Business Line Permanent Control department.
- *compliance controls*: these are also performed by the CIC Marchés teams and by the Group Compliance department, particularly for regulatory watch and ethics matters.
- *periodic control*: this is performed by Group Audit, which works with a specialized team of inspectors. The Network Periodic Control teams are also involved, particularly as regards home loans offered to the company as collateral.

In addition, given the company's status of "home loan financing company" (*Société de Financement de l'Habitat* – SFH), a special auditor is responsible for verifying compliance with all the obligations it assumes under this scheme with respect to its legal mandate.

3. Governance

The company's Executive Management regularly informs Crédit Mutuel Home Loan SFH's Board of Directors about the organization, activity and results of internal control.

In particular, any operational risk incident considered significant, as provided by the applicable regulations (see Articles 98 and 245 of the order of November 3, 2014), is reported based on the specific terms and procedures of Crédit Mutuel Alliance Fédérale.

In 2019, no significant incidents were identified.

Crédit Mutuel Home Loan SFH has no resources of its own. It depends fully on the Group's entities for all of its operations. This organization is reflected in several agreements, the most important of which are:

- an “outsourcing and resource provision agreement” signed on July 6, 2007 and amended on June 10, 2011 between Crédit Mutuel Home Loan SFH and BFCM, CIC and CFdeCM, which covers legal and fiscal secretarial services and all tasks enabling compliance with contractual, legal and regulatory obligations;
- an “administrative agreement” signed on July 6, 2007 and amended on July 24, 2015 between Crédit Mutuel Home Loan SFH and BFCM, which covers the tasks required to achieve the company's corporate purpose and, more specifically, to fulfill the duties of issuer calculation agent, comply with the issue program clauses and manage collateral and cash.

4. Results of periodic controls performed during the period under review

The report on the “Receivables Management” audit conducted by the Network Periodic Control function was released in 2018. A further follow-up was undertaken in 2019 and is currently still in progress.

5. Identification of transactions with key executives, members of the supervisory body and principal shareholders

Not applicable, in terms of commitments likely to be deducted from equity.

6. Internal capital adequacy assessment process

- Due to the nature of its corporate purpose, Crédit Mutuel Home Loan SFH's use of funds is strictly regulated. It consists, with the exception of the on-lending of capital, exclusively of collateralized loans granted to BFCM.
- The collateral portfolio currently stands at €35 billion and equity totals €280 million.
- At the request of Crédit Mutuel Home Loan SFH, on June 19, 2014 the General Secretariat of the ACPR (SGACPR) agreed to allow the company to be exempt from the application on an individual basis of prudential requirements related to solvency ratios, the leverage ratio and major risks, as well as from application of the 75% ceiling on cash receipts for calculating liquidity coverage.

7. Compliance risk

See a discussion of this risk in Crédit Mutuel Alliance Fédérale’s consolidated report.

8. Credit and counterparty risk

Due to its limited corporate purpose, Crédit Mutuel Home Loan SFH’s credit risk is strictly regulated. Funds may only be used as follows:

- On-lending of funds raised by issuing securities: these funds may only be lent to BFCM. This lending is itself secured by collateral in the form of home loans granted by Crédit Mutuel Alliance Fédérale, on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code. The overall amount of lending and compliance with loan eligibility criteria are checked monthly and documented in an “Asset Cover Test” report.
- On-lending of capital is governed by the following limits:
 - Regulatory limits: Articles L. 513-7 and R. 513-6 set minimum credit quality levels for these investments.
 - Contractual limits: rating agencies have set minimum credit ratings that vary according to the term of the investments.

Duration/Minimum rating	S&P	Fitch	Moody’s
< 30 days	A-1 or A	F1 and A	P-1
30 to 60 days	A-1	F1+ and/or AA-	P-1
60 days to 3 months	A-1+ or AA-	F1+ and/or AA-	P-1
< 1 year	A-1+ or AA-	F1+ and/or AA-	P-1

- Should BFCM default, the company would become the owner of the home loans offered as collateral.
An analysis of this collateral by internal rating demonstrates the portfolio’s high credit quality and is presented in the table below.

Rating	Outstandings (€m) ⁽¹⁾	Percentage	Aggregate percentage
A	19,543	56%	56%
B	10,223	29%	85%
C	3,687	11%	96%
D+	882	3%	98%
D-	515	1%	100%
E+	151	0%	100%
E-	0	0%	100%
E=	0	0%	100%
F	0	0%	100%
TOTAL	35,001	100%	

⁽¹⁾ Outstandings at 11/30/2019 shown as guarantee commitments received in SFH’s financial statements at 12/31/2019

There are no non-performing or overdue loans in the portfolio offered as collateral.

The breakdown of these home loans by type of security is as follows:

Type of security	Outstandings (€m) ⁽¹⁾
Home mortgage guarantees	24,566
Guarantees provided by a credit institution	10,435
TOTAL	35,001

⁽¹⁾ Outstandings at 11/30/2019 shown as guarantee commitments received in SFH's financial statements at 12/31/2019

Guaranteed loans are secured either by Crédit Logement or by Crédit Mutuel Caution Habitat SA (CMCH SA).

Type of guarantee	Outstandings (€m) ⁽¹⁾
Crédit Logement	10,197
CMCH SA	238
TOTAL	10,435

⁽¹⁾ Outstandings at 11/30/2019 shown as guarantee commitments received in SFH's financial statements at 12/31/2019

The present LTV (ratio of capital outstanding to the present value of the assets) is 63% on average.

9. Operational risk

In line with its articles of association, Crédit Mutuel Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and Caisse Fédérale de Crédit Mutuel under various agreements. Internal control of outsourced activities is organized in accordance with the process defined by Group Compliance.

The company's operational risk policy is in line with the global policy implemented by Crédit Mutuel Alliance Fédérale, particularly in terms of the Emergency and Business Continuity Plan.

Legal risk has been analyzed in detail by rating agencies, which have assigned their top rating (AAA) to Crédit Mutuel Home Loan SFH's program.

To help it achieve its corporate purpose, Crédit Mutuel Home Loan SFH is advised by external legal advisers, including in particular law firms.

More broadly, under the above-mentioned agreements, Crédit Mutuel Home Loan SFH receives assistance from Crédit Mutuel Alliance Fédérale for all its activities.

10. Interest rate risk

Crédit Mutuel Home Loan SFH is required to operate in such a way that it is not exposed to interest rate risk.

- Funds collected by issuing securities must be lent to BFCM at the same interest rates and for the same terms (plus 10% of the margin generated relative to an unsecured issue, with a minimum of 2 bp). This means that assets and liabilities are perfectly matched by term and interest rate.

- The only way the company could be exposed to interest rate risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans.

In accordance with the update to the issue program in July 2015 and with the approval of the rating agencies, this potential interest rate risk using a look-through approach is covered by a natural matching of assets and liabilities and by overcollateralization.

In fact, the vast majority (approximately 96%) of the cover pool assets are fixed-rate loans, and these assets are matched to liabilities by fixed-rate issues in the same proportion. The average interest rate of the cover pool (2.09% at 11/30/2019) and the average interest rate of bonds issued (1.75% at 11/30/2019) is monitored monthly. The overcollateralization rate resulting from the calculation of the Asset Cover Test negotiated with the rating agencies is always more than 74.9% (= Asset Percentage). The company is committed to maintaining this level of overcollateralization to meet the rating targets and regulatory requirements.

In addition, an ex-ante analysis of the potential interest rate risk using a look-through approach was carried out. It entails monitoring changes in the loans in the pool and issues within the Group's asset-liability management tool. This highlights the interest rate sensitivity (plus or minus 200bp) of these two large volumes. SFH can easily bear this impact given its equity and overcollateralization.

11. Foreign exchange risk

The program allows for the possibility that Crédit Mutuel Home Loan SFH carry out issues in foreign currencies. In such cases, the loan to BFCM is also made in the issue currency.

- To date, Crédit Mutuel Home Loan SFH has carried out the following foreign currency issues:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
300,000,000	NOK	39,698,293	3/22/2012	3/22/2022
750,000,000	NOK	96,961,862	10/7/2011	10/7/2024

The funds raised via these issues were lent to BFCM under the same terms.

- The only way the company could be exposed to foreign exchange risk would be if BFCM were to default. The company would then need to enforce its security and would become the owner of the home loans, all of which are denominated in euros, while having to make repayments in foreign currencies. The issue program documentation requires Crédit Mutuel Home Loan SFH to enter into specific foreign currency swaps with counterparties that must meet specific rating criteria in order to hedge this risk as soon as BFCM's rating is downgraded.
- Since a first-level rating criterion has been met, hedging swaps have been set up. BFCM has the necessary rating level and so is the counterparty to these swaps. In fact, BFCM's rating meets the eligibility criteria provided for in the issue program documentation: A (long-term) from Standard & Poor's, P-1 (short-term) and Aa3 (long-term) from Moody's and F1 (short-term) / A+ (long-term) from Fitch.
Furthermore, since no collateral has been transferred, the company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

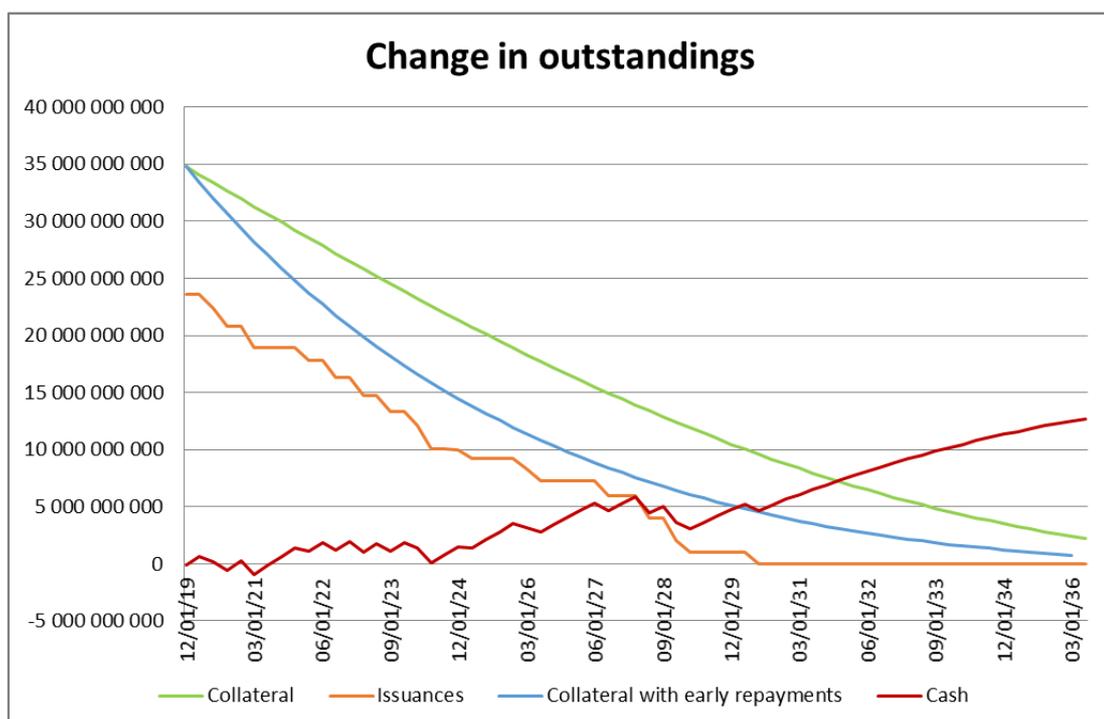
12. Liquidity risk

Crédit Mutuel Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel Home Loan SFH does not engage in maturity transformation.

- The only way the company could be exposed to liquidity risk would be if BFCM were to default. As indicated above, the company would then need to enforce its security and would become the owner of the home loans. The issue program documentation provides for a pre-maturity test to address this risk.
- The pre-maturity test requires BFCM to set aside a cash security deposit in the 180 business days before a covered bond issue matures. This deposit must be sufficient to cover the principal repayments falling due during the period in question. Failure to meet this obligation would represent default by BFCM.
- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. As a result, collateral was put in place to cover issues due to mature within 180 business days, and the funds thus obtained were deposited in term accounts maturing in less than 30 days. The amount of this collateral was €2.750 billion at 12/31/2019.

These mechanisms are considered compliant with the requirements of Article R. 513-7 of the French Monetary and Financial Code.

- Should BFCM default, the company would become the owner of the home loans offered as collateral. The chart below shows the portfolio's amortization profile compared with the amortization of the issues and the resulting cash balance.



This simulation shows some occasional slight cash shortfalls, mainly in the second quarter of 2020 and the first quarter of 2021. However, this cash balance does not take account of early repayments, which would cover these theoretical shortfalls.

- The company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

Five-year financial summary (in €)

Nature of the information	2015	2016	2017	2018	2019
1. Financial position at the end of the fiscal year					
Share capital	220,000,000	220,000,000	220,000,000	220,000,000	220,000,000
Total number of shares issued	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
"A" shares or common shares	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
2. Total income from operations					
Banking income	1,634,392,074	598,229,243	517,398,483	503,697,609	446,986,428
Earnings before tax, profit-sharing, depreciation, amortization, and provisions and non-recurring items	1,612,944	5,507,826	4,601,662	4,595,090	4,711,360
Corporate income tax	999,273	1,886,273	1,553,602	1,529,443	1,571,428
Profit-sharing					
Profit	613,670	3,621,553	3,048,060	3,065,647	3,139,932
Profits distributed	660,000	990,000	7,810,000	2,970,000	2,970,000
3. Earnings per share					
Earnings after tax and profit-sharing, but before depreciation, amortization and provisions	0.03	0.16	0.14	0.14	0.14
Net profit/(loss)	0.03	0.16	0.14	0.14	0.14
Dividend per "A" share	0.03	0.045	0.355	0.135	0.135
4. Personnel					
Number of employees (average FTE)	-	-	-	-	-
Payroll expense	-	-	-	-	-
Employee benefits (social security, benefit plans, etc.)	-	-	-	-	-

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

I) List of all offices and positions held by the corporate officers

At December 31, 2019, the Board of Directors of Crédit Mutuel Home Loan SFH (the "Company") was composed of:

- Alexandre Saada, Chairman
- Christian Ander, director
- Luc Chambaud, director
- Eric Platiau, independent director
- BFCM, represented by Annie Gain, director

The effective managers were therefore:

- Christian Ander
- Denis Reinsbach

In accordance with Article L. 225-37-4 of the French Commercial Code, the list of offices and positions held by each of the corporate officers during the period under review is provided in the appendix.

II) Executive compensation

The corporate officers of Crédit Mutuel Home Loan SFH do not receive attendance fees or compensation of any kind for their participation in meetings of the Board of Directors of Crédit Mutuel Home Loan SFH.

The members of the Board of Directors are compensated under their employment contract and not for their corporate office.

III) Regulated agreements

No agreements falling within the scope of Article L. 225-38 of the French Commercial Code were signed during the period under review.

IV) Table of delegations of authority (capital increase)

None.

V) Organization and operation of the Board of Directors

The operating rules and powers of the Board of Directors (in particular with regard to issues) are set out in Articles 13 to 17 of the articles of association.

Crédit Mutuel Home Loan SFH complies with current corporate governance regulations. It does not adhere to the recommendations contained in the AFEP-MEDEF code on corporate governance, some of which are unsuited to its situation given that all of its shares are held by Banque Fédérative du Crédit Mutuel (+ share loan).

The Board of Directors sets the Company's business strategy and oversees its implementation. Subject to the powers expressly granted to Shareholders' Meetings and within the limit of the corporate purpose, it considers all issues relating to the Company's operation and makes decisions on matters affecting it.

There are no internal rules formally stipulating how the Board of Directors should operate; it is subject to the statutory legal provisions.

Individually, directors have a duty of discretion and confidentiality on all matters related to the Company's purpose.

Pursuant to Article L. 225-51-1 of the French Commercial Code, the Board has opted for a dual executive management structure.

The Board is chaired by Alexandre Saada, who organizes and directs the Board of Directors' work and ensures that directors are able to perform their duties.

When determining the composition of the Board of Directors, several principles are applied.

1°. Incompatibilities and prohibitions: at the time of their appointment, directors sign a statement certifying that they are not subject to the banking prohibitions set out in Article L. 500-1 of the French Monetary and Financial Code.

2°. Age limit: The age limit of members of the Board of Directors is set at 70. Offices held at this age expire at the time of the Shareholders' Meeting following the member's birthday. This provision applies to permanent representatives of legal entities.

3°. Combination with an employment contract: no director has an employment contract with the Company and its controlled subsidiaries (except for directors representing employees, to whom the rules regarding concurrent directorships and employment contracts do not apply).

4°. Application of the principle of balanced representation of men and women on the Board of Directors: the Copé-Zimmermann Law No. 2011-103 of January 27, 2011, amended in 2014 and in force as of January 1, 2017, applies to Crédit Mutuel Home Loan SFH, which does not meet the thresholds for mandatory balanced representation of men and women on boards of directors. In 2018, the Company replaced Marc Bauer, permanent representative of BFCM, with Annie Gain.

5°. Director competence and training: Crédit Mutuel Home Loan SFH places a great deal of importance on the competence of its directors. A specific training module for directors was introduced at the initiative of the inter-federal elected member training commission aimed at reinforcing the knowledge and skills of Crédit Mutuel Home Loan SFH's directors in light of the regulatory competencies required since the transposition of CRD IV in France.

Specific skill-building training modules are also offered to members of the regulatory committees to help them complete the work of these committees.

6°. Composition of the Board of Directors and independent directors: The Board of Directors of Crédit Mutuel Home Loan SFH consists of five members, including one independent director, appointed by the Shareholders' Meeting for six years, pursuant to Article 13 of the articles of association. There are no attendance' fees or stock options.

VI- Shareholder participation in Shareholders' Meetings

The operating rules and powers of the Shareholders' Meeting are set out in Articles 24 *et seq.* of the articles of association.

The rules for amending the articles of association are specified in these same articles.

**APPENDIX: OFFICES HELD
BOARD OF DIRECTORS**

Alexandre Saada

Chairman of the Board of Directors

Job title	Company name of the entity
Chairman of the Board of Directors	Crédit Mutuel Home Loan SFH
Deputy Chief Executive Officer – Effective Manager	Banque Fédérative du Crédit Mutuel
Chairman of the Board of Directors	CIC Ouest
Member of the Supervisory Board	Targobank AG
Member of the Supervisory Board	Targodeutschland GmbH
Permanent representative of Marsovalor, member of the Board of Directors	Crédit Mutuel Investment Managers
Permanent representative of BFCM, member of the Board of Directors	Banque de Tunisie
Non-voting director	Cofidis SA
Non-voting director	Cofidis Participations
Permanent representative of BFCM, member of the Board of Directors	Opuntia (LUXE TV) SA

Christian Ander

Director

Job title	Company name of the entity and country
Chief Executive Officer and member of the Board of Directors	Crédit Mutuel Home Loan SFH
Chairman of the Supervisory Board	Crédit Mutuel Caution Habitat
Member of the Supervisory Board	CIC Iberbanco
Permanent representative of Sofinaction, member of the Board of Directors	Crédit Mutuel Leasing

Annie Gain, representative of BFCM

Director

Job title	Company name of the entity and country
Member of the Board of Directors	Crédit Mutuel Home Loan SFH
Chairman of the Board of Directors	LYF
Vice-Chairman of the Board of Directors	Banque du Groupe Casino
Member of the Supervisory Board	Cofidis Participations
Member of the Supervisory Board	Cofidis France
Member of the Supervisory Board	Targobank AG
Member of the Supervisory Board	Targo Deutschland GmbH
Chairman	Devest 6
Member of the Board of Directors	Monetico International

Luc Chambaud

Director

Job title	Company name of the entity and country
Director	Crédit Mutuel Home Loan SFH
Chief Executive Officer	Caisse Régionale du Crédit Mutuel de Normandie
Chief Executive Officer	Fédération du Crédit Mutuel de Normandie
Member of the Supervisory Board	Euro Information Production – Groupement Informatique CM-CIC EIP (formerly GTOCM)
Permanent representative of Caisse Régionale du Crédit Mutuel Normandie Member of the Management Board	Euro – Information SAS

Permanent representative of Caisse Régionale du Crédit Mutuel Normandie Member of the Supervisory Board	Groupe des Assurances du Crédit Mutuel
Permanent representative of Caisse Régionale du Crédit Mutuel Normandie Member of the Management Board	EURO TVS
Member of the Supervisory Board	Centre de Conseil et de Service (CCS)
Non-voting director	CIC
Member of the Board of Directors	Partelios Investissement

Eric Platiau

Director

Job title	Company name of the entity and country
Member of the Board of Directors	Crédit Mutuel Home Loan SFH
Director of Resources	Oney Bank
Member of the Supervisory Board	Oney Bank, Polish branch

Denis Reinsbach

Effective Manager

Job title	Company name of the entity and country
Effective Manager Chief Administrative Officer	Crédit Mutuel Home Loan SFH

CREDIT MUTUEL HOME LOAN SFH

Annual financial statements

at DECEMBER 31, 2019

- Statement of financial position
- Income statement
- Notes

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS (€ thousands)	Note	2019 December 31
Cash, central banks		
Government securities and similar instruments		
Receivables due from credit institutions	2	26,874,487
Client transactions		
Bonds and other fixed-income securities		
Equities and other variable-income securities		
Investments in subsidiaries and other long-term investments		
Investments in associates		
Lease and similar transactions		
Intangible assets		
Property, plant and equipment		
Subscribed capital unpaid		
Treasury shares		
Other assets	3	2,107
Accruals	4	75,766
Total assets		26,952,360
Off-statement of financial position items		
		2019 December 31
Commitments received		
Financing commitments		
Commitments received from credit institutions		
Guarantee commitments		
Commitments received from credit institutions	10	35,001,022
Securities commitments		
Optional repurchase agreements		
Other commitments received		

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (€ thousands)	Note	2019 December 31
Central banks		
Due to credit institutions		
Client transactions		
Debt securities	5	23,841,336
Other liabilities	3	2,750,044
Accruals	4	75,890
Provisions		
Subordinated debt	6	60,141
Fund for general banking risks		
Shareholders' equity	7	224,949
- Subscribed capital		220,000
- Issue premiums		
- Reserves		1,765
- Revaluation reserve		
- Untaxed provisions		
- Retained earnings		44
- Profit/(loss) for the period		3,140
Total liabilities and shareholders' equity		26,952,360
Off-statement of financial position items		2019 December 31
Commitments given		
Financing commitments		
Commitments given to credit institutions		
Commitments given to customers		
Guarantee commitments		
Commitments given on behalf of credit institutions		
Commitments given on behalf of customers		
Securities commitments		
Optional resale agreements		
Other commitments given		

INCOME STATEMENT

(€ thousands)	Note	2019 December 31
+ Interest and similar income	14	446,986
+ Interest and similar expense	14	(441,283)
+ Income from variable-income securities		
+ Fee and commission income		
+ Fee and commission expense		
+/- Gains (losses) on trading portfolio transactions		12
+/- Gains (losses) on investment portfolio and similar transactions		
+ Other banking operating income		
+ Other banking operating expense		
= Net banking income		5,715
+ Employee benefits expense		
+ Other administrative expenses		(1,004)
+ Depreciation and amortization		
= Operating expenses		(1,004)
= Gross operating income		4,711
+ Net additions to/reversals from provisions for loan losses		
= Operating income		4,711
+/- Gains (losses) on non-current assets		4,711
= Income before non-recurring items		
+/- Non-recurring items		
+ Corporate income tax	15	(1,571)
+/- Movements in fund for general banking risks		
+/- Movements in untaxed provisions		
= Net profit/(loss)		3,140

INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF- STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT ITEMS

The notes to the financial statements are presented in millions of euros.

Significant events during the period under review

In 2019, Crédit Mutuel Home Loan SFH issued €4.0 billion in EMTNs.
Taking into account issues that had reached maturity, total issues on the statement of financial position were €23.6 billion at December 31, 2019.

Crédit Mutuel Home Loan SFH is a 99.99%-owned subsidiary of Banque Fédérative du Crédit Mutuel.

NOTE 1: Accounting principles, valuation and presentation methods

The annual financial statements are prepared in accordance with *Autorité des normes comptables* (ANC - French Accounting Standards Authority) regulation 2014-07 related to the financial statements of banking sector firms and included in the compendium of French accounting standards for the banking sector.

Loans

Loans are recorded on the statement of financial position at their nominal value.

Foreign currency-denominated assets and liabilities

Assets and liabilities denominated in a currency other than the local currency are translated at the official exchange rate on the reporting date. Unrealized foreign exchange gains or losses resulting from these translations are recognized on the income statement with the exchange gains or losses realized or incurred on transactions carried out during the period.

Interest and commissions

Interest is recognized on the income statement on a pro rata temporis basis. Commissions are recorded using the cash receipt criterion, with the exception of commissions relating to financial transactions, which are recorded at the close of the issue or when invoiced.

NOTE 2 - Receivables due from credit institutions

	December 31, 2019		December 31, 2018	
	Demand deposits	Term deposits	Demand deposits	Term deposits
Current accounts	278.1		279.3	
Loans, securities received under repurchase agreements (*)		26,306.4		26,955.5
Securities delivered under repurchase agreements				288.9
Accrued interest		290.0		
Non-performing loans				
Impairment				
Total	278.1	26,596.4	279.3	27,244.4
Total receivables due from credit institutions		26,874.5		27,523.7
of which non-voting loan stock				
of which subordinated loans				

(*) BFCM is the only counterparty to the loans granted.

NOTE 3 - Other assets and liabilities

	December 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Premiums on options				
Guarantee deposits	1.5	2,750.0	1.2	3,700.0
Securities settlement accounts				
Debt representing securities borrowed				
Deferred taxes				
Other receivables and payables	0.6		0.5	0.2
Accrued interest				
Impairment				
Total	2.1	2,750.0	1.7	3,700.2

NOTE 4 - Accruals

	December 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Collection accounts				
Currency and off-statement of financial position adjustment accounts	2.0	2.1	5.3	5.3
Other accruals	73.8	74.0	74.3	74.6
Total	75.8	76.1	79.6	79.9

Accrual accounts - liabilities mainly concern EMTN issue premiums.

Accrual accounts - assets reflect accruals - liabilities at the loan level.

NOTE 5 - Debt securities

	December 31, 2019	December 31, 2018
Certificates of deposit		
Interbank certificates and negotiable debt instruments		
Bonds	23,556.4	23,255.5
Other debt securities		
Related debt	284.9	284.6
Total	23,841.3	23,540.1

Borrowings are in EUR and NOK

NOTE 6 - Subordinated debt

	December 31, 2018	Issues	Repayments	Other changes	December 31, 2019
Subordinated debt					
Non-voting loan stock					
Perpetual subordinated debt	60.0				60.0
Related debt	0.0				0.1
Total	60.0				60.1

Main subordinated debt issues:

	OUT-STANDINGS	INTEREST RATE	MATURITY
PERPETUAL SUBORDINATED LOAN STOCK 2007	60.0	3-month Euribor + 0.66	**
TOTAL	60.0		

This is an "indefinite term" subordinated loan, in euros, with the possibility of early repayment (without payment conditions) at each interest payment date, subject to ACPR approval.

NOTE 7 - Shareholders' equity and fund for general banking risks (FRBG)

	Share capital	Premiums	Reserves	Retained earnings	Profit (loss) for the period	Total	FRBG
Balance at January 1, 2018	220.0		1.5	5.1	3.0	229.5	
Profit (loss) for the period					3.1	3.1	
Appropriation of earnings from previous year			0.1	2.8	(3.0)		
Distribution of dividends				(7.8)		(7.8)	
Capital increase							
Impact of revaluations							
Other changes							
Impact of the merger							
Balance at December 31, 2018	220.0		1.6	0.1	3.1	224.8	
Balance at January 1, 2019	220.0		1.6	0.1	3.1	224.8	
Profit (loss) for the period					3.1	3.1	
Appropriation of earnings from previous year			0.2	2.8	(3.1)	(0.1)	
Distribution of dividends				(2.9)		(2.9)	
Capital increase							
Impact of revaluations							
Other changes							
Impact of the merger							
Balance at December 31, 2019	220.0		1.8		3.1	224.9	

At December 31, 2019, the share capital comprised 22,000,000 shares with a par value of €10.

BFCM held 99.99% of the capital of Crédit Mutuel Home Loan SFH at December 31, 2019.

As such, it is fully consolidated in the consolidated financial statements of Crédit Mutuel Alliance Fédérale and at the Crédit Mutuel national consolidation level.

The shareholders' meeting is asked to allocate €3,183,513.82, of which €3,139,931.53 from 2019 profit and €43,582.29 from retained earnings, as follows:

Allocation to the legal reserve	€156,996.58
Dividends	€2,970,000.00
Retained earnings	€56,517.24
	<u>€3,183,513.82</u>

NOTE 8 – Analysis of certain assets/liabilities by residual maturity

	< 3 and demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Perpetual	Accrued interest	Total at December 31, 2019
ASSETS							
Receivables due from credit institutions	3,0	2,777.2	11,021.1	10,048.7			26,874.5
Receivables to customers							
Bonds and other fixed-income securities							
LIABILITIES							
Due to credit institutions							
Due to customers							
Debt securities							
- Certificates of deposit							
- Interbank certificates and negotiable debt instruments							
- Bonds		2,776.5	11,018.8	10,046.1			23,841.3
- Other							
Subordinated debt					60.0	0.1	60.1

NOTE 9 – Euro-equivalent of foreign currency-denominated assets and liabilities

The euro equivalent of foreign currency-denominated assets and liabilities was -€110.5 million and €110.5 million, respectively, at December 31, 2019.

NOTE 10 - Guarantee commitments

The loans granted by Crédit Mutuel Home Loan SFH to BFCM are guaranteed by eligible home loans from the Crédit Mutuel Alliance Fédérale branch network, in accordance with Article 431-7 of the French Monetary and Financial Code. At December 31, 2019, the amount of this guarantee was €35.001 billion versus €31.001 billion at December 31, 2018.

NOTE 11 - Commitments on forward financial instruments

Transactions on forward financial instruments (based on the concept of micro/macro hedging transactions and open-position/specialized management transactions relating to firm and conditional transactions).

	Hedging	12/31/2019 Management transactions	Total	Hedging	12/31/2018 Management transactions	Total
Firm transactions						
<i>Over-the-counter markets</i>						
Forward rate agreements						
Interest rate swaps					4,000.0	4,000.0
Financial swaps						
Other transactions						
Swaps – other						
Conditional transactions						
<i>Over-the-counter markets</i>						
Interest rate cap and floor contracts						
Purchased						
Sold						
Interest rate, foreign currency, equity and other options						
Purchased						
Sold						
Total					4,000.0	4,000.0

Analysis of over-the-counter interest rate contracts by type of portfolio

	12/31/2019	Separate open position	Micro hedging	Overall interest rate risk	Specialized management	Total
Firm transactions						
Purchases						
Sales						
Swaps						
Conditional transactions						
Purchases						
Sales						
12/31/2018						
Firm transactions						
Purchases						
Sales						
Swaps			4,000.0			4,000.0
Conditional transactions						
Purchases						
Sales						

NOTE 12 - Forward financial instruments - Counterparty risk

The counterparty risk associated with forward financial instruments is estimated according to the methodology used to calculate prudential ratios.

Credit risks on forward financial instruments	12/31/2019	12/31/2018
GROSS EXPOSURE		
Credit institution risk	12.2	16.4
Company risk		
TOTAL	12.2	16.4

Fair value of forward financial instruments	12/31/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	19.5	19.5	25.4	25.4

NOTE 13 - Other off-statement of financial position commitments

	12/31/2019	12/31/2018
Foreign-currency transactions		
- Currencies receivable		
- Currencies payable		
Commitments on forward financial instruments		
Transactions carried out on organized and similar markets		
- Forward foreign exchange transactions		
. Hedging		
. Other transactions		
- Financial foreign exchange swaps		
. Separate open position		
. Micro-hedging	243.1	242.2
. Overall interest rate risk		
. Specialized management		

NOTE 14 - Interest income and expense

	December 31, 2019		December 31, 2018	
	Income	Expense	Income	Expense
Credit institutions	442.0	(13.2)	498.5	31.0
Customers				
Finance leases and operating leases				
Bonds and other fixed-income securities				467.3
Other	5.0	(428.1)	5.2	
Total	447.0	(441.3)	503.7	498.3
of which subordinated debt expense				

NOTE 15- Corporate income tax

	December 31, 2019	December 31, 2018
Current income tax - Amount for the period	1.6	1.5
Current income tax - Prior-period adjustments		
Current income tax - Effect of tax consolidation		
Total	1.6	1.5
On ongoing operations	1.6	1.5
On non-recurring items		
Total	1.6	1.5

Effective January 1, 2016, Caisse Fédérale de Crédit Mutuel opted for "mutual tax consolidation" in accordance with Article 223 A, paragraph 5 of the French General Tax Code.

This tax consolidation scheme allows companies to pay corporate income tax on the total income obtained by taking the algebraic sum of the positive and negative results of the group's entities. In 2019, CFdCM's tax consolidation group consisted of 1,386 companies, namely:

- CFdCM itself, the head of the tax group,
- 1,350 Crédit Mutuel local mutual banks and 10 Crédit Mutuel regional banks that belong to the member Federations of Crédit Mutuel Alliance Fédérale, which are required to be members of this tax group,
- Banque Fédérative du Crédit Mutuel and 24 of its subsidiaries that opted to be part of it.

By agreement, each member of the tax group must pay CFdCM, as a share of the payment of the group's corporate income tax and regardless of the actual amount of said tax, a sum equal to the tax that it would have paid on its income if the member were taxed separately, minus therefore all the tax deduction rights that members would have had if they were not consolidated.

The corporate income tax due for the year and additional contributions are determined in accordance with applicable tax regulations. Tax credits related to income from securities are not recognized, but are deducted directly from the tax expense.

"Corporate income tax" includes:

- The amount of corporate income tax and the additional contribution calculated as if the company were taxed separately,
- Any adjustments (back taxes or tax credits) related to prior years,
- The tax expense or income related to tax credits on interest-free and similar loans.

Difference between the tax recognized and the tax that the member is jointly and severally responsible for paying: NONE.

Difference between the tax recognized and the tax that the member would have borne if it were not consolidated: NONE.

Loss carryforwards:

- The CFdCM tax consolidation group has no tax loss carryforwards,
- Some members of the group (including CFdCM) have tax loss carryforwards that predate their membership in the tax consolidation group.

NOTE 16 - Statutory auditors' fees in 2019

	PricewaterhouseCoopers Audit	Ernst & Young et Autres
(€ thousands ex-VAT)		
Certification of the annual financial statements and limited review	17	15
Services other than certification of the financial statements (1)	12	12

(1) These services cover the services other than certification of the financial statements provided at the entity's request, which included comfort letters related to Crédit Mutuel Home Loan SFH's market transactions.

NOTE 17 - Subsequent events

One key event that has occurred since December 31, 2019 is the exceptional and unprecedented crisis caused by the COVID-19 pandemic. Crédit Mutuel Alliance Fédérale's priorities in this context are to protect all its employees and their families, and provide local support to customers and members.

It immediately took steps to support the economy by unconditionally suspending the due dates for medium- and long-term repayment loans granted by Crédit Mutuel Alliance Fédérale to companies, self-employed professionals and farmers. Suspensions will last through the end of September 2020 and will not incur any fees. Crédit Mutuel Alliance Fédérale will also implement the public authorities' support measures for its customers as soon as possible.

On this basis, Crédit Mutuel Alliance Fédérale's Crisis Committee is taking all necessary measures, in close cooperation with managers and crisis units at all the entities and with the public and health authorities.

Crédit Mutuel Alliance Fédérale has made the continuity of its essential activities its top priority. It has therefore had to adjust its work methods, including:

- roll-out of emergency and business continuity plans (EBCPs) in the various activities;
- implementation of telework, whenever possible, with upgraded remote connection equipment and infrastructure.

The recent and unprecedented nature of this crisis makes it impossible to estimate its impacts on the activity, financial position, results and risk trends for fiscal year 2020.

STATEMENT OF NET CASH FLOWS

(€ thousands)	12.2019	12.2018
Net profit/(loss)	3,140	3,066
Tax	1,572	1,529
Profit/(loss) before tax	4,712	4,595
+/- Net depreciation and amortization of property, plant and equipment and intangible assets		
- Impairment of goodwill and other non-current assets		
+/- Net charges to provisions		
+/- Share of profit/(loss) of equity-consolidated companies		
+/- Net loss/gain from investing activities		
+/- Expense from financing activities		
+/- Other movements	-5,001	11,283
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	-5,001	11,283
+/- Cash flows relating to transactions with credit institutions	649,096	-4,983,842
+/- Cash flows relating to client transactions		
+/- Cash flows relating to other transactions affecting financial assets and liabilities		
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	-945,344	3,405,048
- Tax paid	-1,671	-1,039
= Net decrease in assets and liabilities from operating activities	-297,919	-1,539,833
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	-298,208	-1,523,955
+/- Cash flows relating to financial assets and investments		
+/- Cash flows relating to investment property		
+/- Cash flows relating to property, plant and equipment and intangible assets		
TOTAL NET CASH FLOWS RELATING TO INVESTING ACTIVITIES		
+/- Cash flows relating to transactions with shareholders	-2,970	-7,810
+/- Other net cash flows relating to financing activities	300,000	1,526,811
TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES	297,030	1,519,001
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		
Net increase in cash and cash equivalents	-1,178	-4,954
Net cash flows from operating activities	-298,208	-1,523,955
Net cash flows relating to investing activities		
Net cash flows relating to financing activities	297,030	1,519,001
Impact of changes in exchange rates on cash and cash equivalents		
<u>Cash and cash equivalents at beginning of period</u>	<u>279,301</u>	<u>284,255</u>
Cash, central banks and postal checking accounts		
Demand loans and accounts at credit institutions	279,301	284,255
<u>Cash and cash equivalents at end of period</u>	<u>278,123</u>	<u>279,301</u>
Cash, central banks and postal checking accounts		
Demand loans and accounts at credit institutions	278,123	279,301
CHANGE IN NET CASH AND CASH EQUIVALENTS	-1,178	-4,954

Crédit Mutuel Home Loan SFH
(formerly Crédit Mutuel-CIC Home Loan SFH)
Year ended December 31, 2019

Statutory auditors' report on the annual financial statements

PricewaterhouseCoopers Audit
63 rue de Villiers
92208 Neuilly-sur-Seine Cedex
French simplified joint-stock company (S.A.S.)
with capital of €2,510,460
Nanterre Trade and Companies Register
No. 672 006 483

Statutory Auditor
Member of the Regional Association of
Accountants of Versailles

Ernst & Young et Autres
Tour First TSA 1444 4
92037 Paris-La Défense Cedex
French simplified joint-stock company with variable capital
(S.A.S. à *capital variable*)
Nanterre Trade and Companies Register No. 438 476 913

Statutory Auditor
Member of the Regional Association of Accountants of
Versailles

Crédit Mutuel Home Loan SFH
(formerly Crédit Mutuel-CIC Home Loan SFH)
Year ended December 31, 2019

Statutory auditors' report on the annual financial statements

To the shareholders of Crédit Mutuel Home Loan SFH,

Opinion

In accordance with the terms of the engagement entrusted to us at your shareholders' meeting, we have audited the annual financial statements of Crédit Mutuel Home Loan SFH for the year ended December 31, 2019, as appended to this report. The Board of Directors approved these financial statements on March 18, 2020 based on the information available at that time in the context of the evolving COVID-19-related health crisis.

In our opinion, the annual financial statements present a true and fair view of the company's assets, liabilities, financial position and results at the end of the year under review, in accordance with French accounting rules and principles.

The opinion expressed above is consistent with the content of our report to the Board of Directors performing the functions of the audit committee.

Basis of our opinion

■ Auditing standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities pursuant to these standards are indicated in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the annual financial statements."

■ Independence

We have conducted our audit in compliance with the rules regarding independence applicable to us, for the period from January 1, 2019 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics for statutory auditors.

Basis for our assessments - Key points of the audit

Pursuant to Articles L. 823-9 and R. 823-7 of the French Commercial Code regarding the basis for our assessments, we must inform you of the key points of the audit related to the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the annual financial statements, as well as our responses to these risks.

We have determined that there were no key points of the audit to inform you of in our report.

Specific verifications

In accordance with professional standards applicable in France, we also carried out the specific verifications provided for by legal and regulatory requirements.

■ Information provided in the management report and in other documents on the financial position and the annual financial statements sent to shareholders

We have no comments as to the fair presentation of the information set out in the Board of Directors' management report approved on March 18, 2020 and the other documents on the company's financial position and the annual financial statements sent to shareholders, or its consistency with the annual financial statements, other than the point set out below. With regard to the events that have occurred and the information known subsequent to the reporting date about the effects of the COVID-19-related crisis, management has informed us that they will be communicated at the shareholders' meeting called to approve the financial statements.

The fair presentation and consistency with the annual financial statements of the information pertaining to payment terms referenced in Article D. 441-4 of the French Commercial Code prompts us to make the following observation:

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

■ Report on corporate governance

We certify the existence, in the Board of Directors' report on corporate governance, of the information required by Article L. 225-37-4 of the French Commercial Code.

Information resulting from other legal and regulatory requirements

■ Appointment of the statutory auditors

We were appointed as statutory auditors of Crédit Mutuel Home Loan SFH by your shareholders' meeting on April 16, 2007.

At December 31, 2019, our firms had performed their duties for the 13th consecutive year.

Responsibilities of management and persons charged with corporate governance as regards the annual financial statements

It is the responsibility of management to prepare annual financial statements that give a true and fair view in accordance with French accounting rules and principles and to implement internal control as it deems necessary for the preparation of annual financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the annual financial statements, management must assess the company's ability to continue to operate, present in its financial statements, where applicable, the necessary information regarding the company's continued operation and apply the going concern accounting convention, unless there are plans to liquidate the company or discontinue its business.

The Board of Directors performing the functions of the audit committee must monitor the financial information preparation process and the effectiveness of the internal control, risk management and, where applicable, internal audit systems as regards the procedures related to the preparation and processing of accounting and financial information.

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

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

■ Objective and audit approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements, as a whole, are free from material misstatements. Reasonable assurance is a high level of assurance, but one that does not guarantee that an audit conducted in accordance with generally accepted auditing standards always leads to the detection of all material misstatements. Misstatements may result from fraud or errors and are considered material when there is a reasonable expectation that they can, when taken individually or combined, influence the economic decisions made by users of the financial statements on the basis of these financial statements.

As set out in Article L. 823-10-1 of the French Commercial Code, our task of certifying the financial statements does not entail guaranteeing the viability or quality of your company's management.

When conducting an audit in accordance with auditing standards applicable in France, the statutory auditor exercises its professional judgment throughout the audit. Moreover, the statutory auditor:

- ▶ identifies and assesses the risks that the annual financial statements contain material misstatements, whether such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that it considers a sufficient and appropriate basis for such opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from an error, as fraud may involve collusion, forgery, deliberate omissions, false statements or the circumvention of internal control;
 - ▶ reviews internal control relevant to the audit in order to define appropriate audit procedures under the circumstances, and not to express an opinion on the effectiveness of internal control;
 - ▶ assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as related information provided in the annual financial statements;
 - ▶ assesses the appropriateness of management's application of the going concern accounting convention and, based on the information collected, whether or not significant uncertainty exists regarding events or circumstances likely to call into question the company's ability to continue to operate. This assessment is based on information collected up to the date of its report, it being noted however that subsequent circumstances or events could call into question the company's continued operation. If the statutory auditor concludes that significant uncertainty exists, it brings the information provided in the annual financial statements regarding such uncertainty to the attention of readers of its report or, if such information is not provided or is not relevant, the statutory auditor issues a qualified opinion or a denial of opinion;
 - ▶ assesses the overall presentation of the annual financial statements and determines whether they fairly present the underlying transactions and events.
- Report to the Board of Directors performing the functions of the audit committee

We submit to the Board of Directors performing the functions of the audit committee a report which presents the scope of the audit and the work program implemented, as well as the conclusions of our audit. We also inform it, where applicable, of the significant weaknesses of internal control that we have identified as regards the procedures related to the preparation and processing of accounting and financial information.

The information provided in the report to the Board of Directors performing the functions of the audit committee includes the risks of material misstatement that, in our opinion, are the most significant for the audit of the annual financial statements and are therefore the key points of the audit, which it is our duty to describe in this report.

We also submit to the Board of Directors performing the functions of the audit committee the statement referred to in Article 6 of Regulation (EU) No. 537-2014 confirming our independence, pursuant to the rules applicable in France as set out in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for statutory auditors. Where applicable, we discuss with the Board of Directors performing the functions of the audit committee the risks to our independence and the precautionary measures taken.

Neuilly-sur-Seine and Paris-La Défense, on March 30, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Ernst & Young et Autres

Nicolas Montillot

Hassan Baaj

Crédit Mutuel Home Loan SFH
(formerly Crédit Mutuel-CIC Home Loan SFH)

Shareholders' meeting called to approve the
financial statements for the fiscal year ended
December 31, 2019

**Statutory Auditors' Special Report on regulated
agreements**

PricewaterhouseCoopers Audit
63 rue de Villiers
92208 Neuilly-sur-Seine Cedex
French simplified joint-stock company (S.A.S.)
with capital of €2,510,460
Nanterre Trade and Companies Register
No. 672 006 483

Statutory Auditor
Member of the Regional Association of
Accountants of Versailles

Ernst & Young et Autres
Tour First
TSA 1444 4
92037 Paris-La Défense Cedex
French simplified joint-stock company with variable capital
(S.A.S. à *capital variable*)
Nanterre Trade and Companies Register No. 438 476 913

Statutory Auditor
Member of the Regional Association of Accountants of
Versailles

Crédit Mutuel Home Loan SFH (formerly Crédit Mutuel-CIC Home Loan SFH)

Shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2019

Statutory Auditors' Special Report on regulated agreements

To the shareholders of Crédit Mutuel Home Loan SFH,

In our capacity as the company's Statutory Auditors, we hereby present our report on regulated agreements.

It is our duty, based on the information provided to us, to inform you of the basic characteristics and terms and conditions and the basis of the benefits for the company of the agreements of which we have been informed or of which we may have become aware during our audit, without the need to express an opinion on their appropriateness and relevance or to determine the existence of other agreements. In accordance with Article R. 225-31 of the French Commercial Code, it is your responsibility, in considering whether to approve these agreements, to determine whether they should have been entered into.

We are also required, where appropriate, to provide you with the information laid down in Article R. 225-31 of the French Commercial Code on the performance during the past fiscal year of agreements already approved at a shareholders' meeting.

We carried out the work we considered necessary in view of the professional standards of the French Statutory Auditors' Association (*Compagnie nationale des commissaires aux comptes*) relating to this assignment.

Agreements submitted to the shareholders' meeting for approval

We inform you that we have not been advised of any agreement authorized and entered into during the past year that must be submitted to the shareholders' meeting for approval pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements already approved by a shareholders' meeting

We inform you that we have not been advised of any agreement already approved by a shareholders' meeting that remained in force during the past year.

Neuilly-sur-Seine and Paris-La Défense, on March 30, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Ernst & Young et Autres

Nicolas Montillot

Hassan Baaj

**RESOLUTIONS SUBMITTED TO THE ANNUAL ORDINARY SHAREHOLDERS'
MEETING OF MAY 20, 2020**

FIRST RESOLUTION

In accordance with the quorum and majority conditions required for ordinary shareholders' meetings and after the management report prepared by the Board of Directors, the report on corporate governance and the statutory auditors' reports had been read to them, the shareholders approved the annual financial statements for the fiscal year ended December 31, 2019, as presented to them by the Board of Directors, which show a profit of €3,139,931.53.

The shareholders also approved the transactions entered in these financial statements or summarized in these reports.

Accordingly, they granted the directors full and unconditional discharge for their work during said fiscal year.

SECOND RESOLUTION

The shareholders resolve to appropriate the net profit for the year, totaling €3,139,931.53, plus the €43,582.29 in retained earnings, i.e. an available amount of €3,183,513.82, as follows:

- Legal reserve: €156,996.58

- Payment of dividends: €2,970,000.00

i.e. a dividend of €0.135 per share

- Balance to retained earnings: €56,517.24

In accordance with the relevant legal provisions, we remind you that the following dividends had been paid in respect of previous years:

Fiscal year	2016	2017	2018
Dividend distributed	€0.045 per share	€0.355 per share	€0.135 per share

THIRD RESOLUTION

In accordance with the quorum and majority conditions required for ordinary shareholders' meetings and after having familiarized themselves with the report prepared by the Board of Directors and having had the Statutory Auditors' special report on the agreements referred to in Article L. 225-38 of the French Commercial Code read out to them, the shareholders approved the findings of said report.