

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 No. 480 618 800

**BOARD OF DIRECTORS' MANAGEMENT REPORT
INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020**

July 2020

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>

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I. PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT



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 No. 480 618 800

Person responsible for the interim financial report

Mr. Christian Ander - Chief Executive Officer

Certification of the person responsible for the interim financial report

I certify, that, to the best of my knowledge, the condensed financial statements for the six months just ended 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 interim activity report gives a true and fair view of the key events that occurred during the first half of the year, of their impact on the financial statements, of the main transactions between related parties, as well as a description of the main risks and uncertainties the company faces in the second half of the year.

Paris, August 24, 2020

Christian Ander
Chief Executive Officer

II. 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 ACPR 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 contribute to the refinancing of 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 FIRST SIX MONTHS OF THE YEAR

Towards the end of the first quarter of 2020, the Covid-19 pandemic severely disrupted the markets due to its destructive impact on global growth over the coming years.

However, massive public support programs at both national and international level combined with the extraordinary reinforcement of central bank measures gradually calmed the markets, at least temporarily.

In the first half of 2020, Crédit Mutuel Home Loan SFH carried out two public issues for a total of €3 billion:

- **€1.25 billion over ten years** in January (0.125% coupon)
- **€1.75 billion over five years** in April (0.125% coupon)

2. FUTURE OUTLOOK

Our company may issue debt in the market in the second half of 2020 if Crédit Mutuel Alliance Fédérale's liquidity situation so requires.

3. KEY EVENTS BETWEEN THE END OF THE REPORTING PERIOD AND THE DATE OF THIS REPORT

There are no key events to report since the end of the half-year period.

4. BRANCHES

As of June 30, 2020, 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.

III. RESULTS, FINANCIAL POSITION AND DEBT

1. STATEMENT OF FINANCIAL POSITION

a. ASSETS

ASSETS (€millions)	Note	2020 June 30	2019 December 31
Cash, central banks			
Government securities and similar instruments			
Receivables due from credit institutions	2	29,212.9	26,874.5
Loans and receivables due from customers			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			
Investments in associates			
Lease and similar transactions			
Intangible assets			
Property, plant and equipment			
Subscribed capital not paid			
Treasury shares			
Other assets	3	2.6	2.1
Prepayments and accrued income	4	87.6	75.8
Total assets		29,303.1	26,952.4
Off-statement of financial position items		2020 June 30	2019 December 31
Commitments received			
Financing commitments			
Commitments received from credit institutions			
Guarantee commitments			
Commitments received from credit institutions	10	35,001.1	35,001.0
Securities commitments			
Securities sold with repurchase or reacquisition option			
Other commitments received			

b. LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2020	2019
(€millions)		June 30	December 31
Central banks			
Due to credit institutions			
Customer deposits			
Debt securities	5	25,481.8	23,841.3
Other liabilities	3	3,450.0	2,750.0
Accruals and deferred income	4	87.6	76.1
Provisions			
Subordinated debt	6	60.2	60.1
Fund for general banking risks			
Shareholders' equity	7	223.5	224.9
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.9	1.8
- Revaluation reserve			
- Regulated provisions			
- Retained earnings			
- Profit/(loss) for the period		1.6	3.1
Total liabilities and shareholders' equity		29,303.1	26,952.4
<hr/>			
Off-statement of financial position items		2020	2019
		June 30	December 30
<hr/>			
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			
Securities acquired with reacquisition option			
Other commitments given			

Liabilities mainly consist of securities issued by SFH.

In addition, the "Other liabilities" item represents collateral offered by BFCM to cover regulatory cash requirements at 180 days. This item totaled €3.450 billion at June 30, 2020.

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/LOSS

(€millions)	Note	2020 June 30	2019 June 30
+ Interest and similar income	13	211.1	229.5
+ Interest and similar expense	13	(208.4)	(226.7)
+ Income from variable-income securities			
+ Commission income			
+ Commission expense			
+/- Gains or losses on trading account transactions			
+/- Gains or losses on investment portfolio and similar transactions			
+ Other banking operating income			
+ Other banking operating expense			
= Net banking income		2.7	2.8
+ Payroll costs			
+ Other administrative expenses		(0.4)	(0.6)
+ Depreciation and amortization			
= General operating expenses		(0.4)	(0.6)
= Gross operating income		2.3	2.2
+ Net additions to/reversals from provisions for loan losses			
= Operating income		2.3	2.2
+/- Gains or losses on non-current assets			
= Income before non-recurring items		2.3	2.2
+/- Non-recurring items			
+ Income tax	14	(0.7)	(0.7)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
= Net income (loss)		1.6	1.5

Net income in the first half of 2020 was €1.6 million, compared with €1.5 million at end-June 2019.

d. STATEMENT OF NET CASH FLOWS

(€ thousands)	06.2020	06.2019
Net income(loss)	1,618	1,504
Tax	698	706
Income(loss) before tax	2,316	2,210
+/- 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 income(loss) of equity-consolidated companies	0	0
+/- Net loss/gain from investing activities	0	0
+/- Expense from financing activities	0	0
+/- Other movements	-11,529	1,240
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	-11,529	1,240
+/- Cash flows relating to transactions with credit institutions	-2,439,774	3,397,229
+/- Cash flows relating to customer transactions	0	0
+/- 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	702,062	-3,697,848
- Tax paid	-780	-908
= Net decrease in assets and liabilities from operating activities	-1,738,492	-301,527
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	-1,747,705	-298,077
+/- Cash flows relating to financial assets and equity 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	-2,970
+/- Other net cash flows relating to financing activities	1,750,000	300,000
TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES	1,747,030	297,030
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	0	0
Net increase in cash and cash equivalents	-675	-1,047
Net cash flows from operating activities	-1,747,705	-298,077
Net cash flows relating to investing activities	0	0
Net cash flows relating to financing activities	1,747,030	297,030
Impact of changes in exchange rates on cash and cash equivalents	0	0
<u>Cash and cash equivalents at beginning 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
<u>Cash and cash equivalents at end of period</u>	<u>277,448</u>	<u>278,254</u>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	277,448	278,254
CHANGE IN NET CASH AND CASH EQUIVALENTS	-675	-1,047

e. COVER POOL

Collateral for secured loans consists of a portfolio of receivables made up entirely of mortgage-backed receivables, totaling €35,001,100,037 at June 30, 2020.

The main characteristics of the home loan portfolio recognized at June 30, 2020, based on the capital outstanding at May 31, 2020, were as follows:

Total capital outstanding at May 31, 2020	€35,001,100,037
Average outstanding loan	€87,938
Number of loans	398,021
Number of borrowers	348,433

Average age of loans (months)	69
Average residual maturity (months)	169

Proportion of fixed-rate loans	96.0%
Average interest rate on fixed-rate receivables	2.01%
Average interest rate on variable-rate receivables	1.86%

Breakdown by type of security		
Type of security	Total capital outstanding	Proportion by type of security
Crédit Logement guarantee	€10,071,090,885	28.7%
Crédit Mutuel Caution Habitat (CMCH SA) guarantee	€455,957,483	1.3%
First-rate mortgage or lender's priority lien	€24,474,051,669	69.9%
TOTAL	€35,001,100,037	100%

Breakdown by type of loan		
Type of loan	Total capital outstanding	Number of loans
Standard	€30,998,033,695	343,201
Home savings plans/accounts	€19,947,274	3,599
Interest-free loans	€0	-
Low-income housing loans	€2,692,484,297	36,529
Regulated loans	€1,290,634,771	14,692
TOTAL	€35,001,100,037	398,021

Breakdown by number of loans in arrears		
Number of monthly repayments missed	Total capital outstanding	Number of loans
0	€35,001,100,037	398,021
> 0	-	-
TOTAL	€35,001,100,037	398,021

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 bylaws: 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.

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

The sole corporate purpose of Crédit Mutuel Home Loan SFH is to contribute to the refinancing of 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	19,921	57%	57%
B	10,058	29%	86%
C	3,586	10%	96%
D+	856	2%	98%
D-	462	1%	100%
E+	118	0%	100%
E-	-	0%	100%
E=	-	0%	100%
F	-	0%	100%
TOTAL	35,001	100%	

(1) Outstandings at May 31, 2020 shown as guarantee commitments received in SFH's financial statements at June 30, 2020

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	24,474
Guarantees provided by a credit institution	10,527
TOTAL	35,001

(1) Outstandings at May 31, 2020 shown as guarantee commitments received in SFH's financial statements at June 30, 2020

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	10,071
Crédit Mutuel Caution Habitat SA	456
TOTAL	10,527

(1) Outstandings at May 31, 2020 shown as guarantee commitments received in SFH's financial statements at June 30, 2020

The present LTV (ratio of the principal balance to the present value of the assets) is 65% 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 2bp). 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 in the same proportion by fixed-rate issues. The average interest rate of the cover pool (2.01% at May 31, 2020) and the average interest rate of bonds issued (1.55% at May 31, 2020) are 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.

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	03/22/2012	03/22/2022
750,000,000	NOK	96,961,862	10/07/2011	10/07/2024

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. It meets the following ratings-based 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

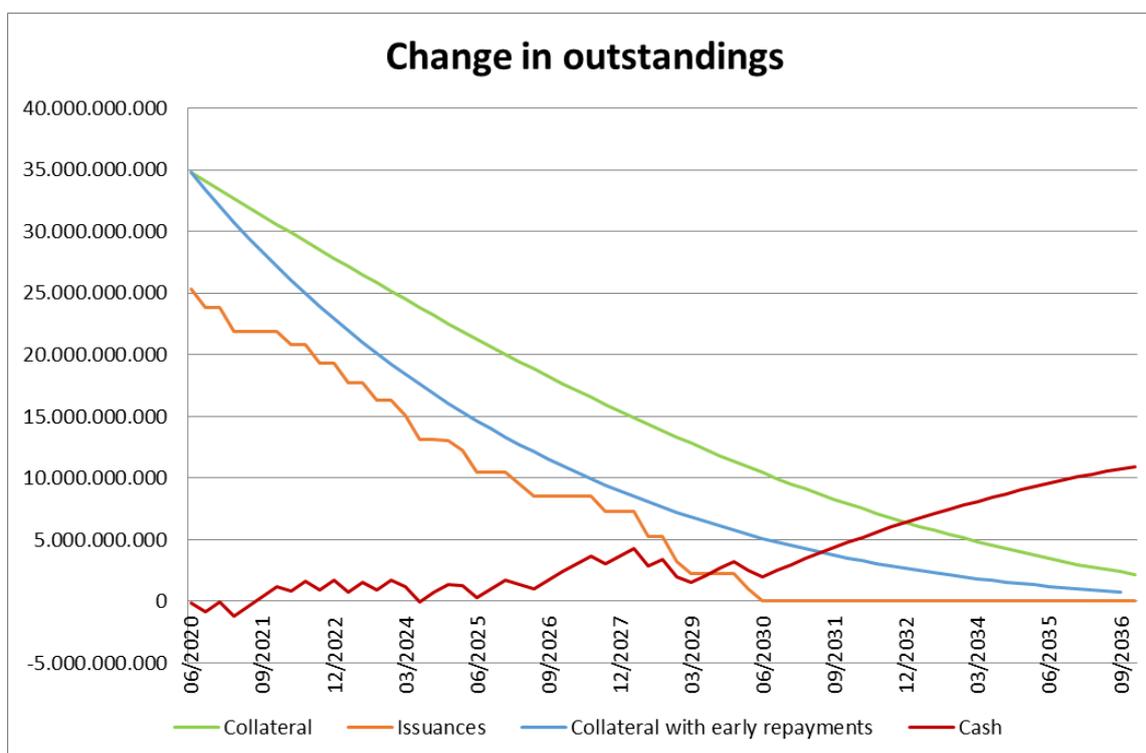
Crédit Mutuel Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel Home Loan SFH does not engage in maturity transformation.

- The only way the company could be exposed to liquidity risk would be if BFCM were to default. 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.
- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. However, this mechanism is no longer imperative for Crédit Mutuel Home Loan SFH; it is entitled to waive it following Fitch's upgrade of BFCM on March 30, 2020 (short-term rating raised from F1 to F1+). However, it will be maintained out of prudence and in compliance with the regulatory 180-day cash coverage requirement. The amount of this collateral was €3.450 billion at June 30, 2020.

(See 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 (not taking into account early repayments).



This simulation shows some occasional slight cash shortfalls, mainly in the third 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 bylaws, Crédit Mutuel Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and CFdeCM 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.

V. 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 period under review.

VI. APPENDICES

- 1. STATUTORY AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION**
- 2. FINANCIAL STATEMENTS**

Crédit Mutuel Home Loan SFH
(Period from January 1 to June 30, 2020)

**Statutory Auditors' report on interim
financial information**

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 14444
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 (Period from January 1 to June 30, 2020)

Statutory Auditors' report on interim financial information

To the Shareholders,

In fulfillment of the assignment entrusted to us by your shareholders' meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited review of the interim financial statements of Crédit Mutuel Home Loan SFH for the period from January 1 to June 30, 2020, as appended to this report, and
- verified the information provided in the interim activity report.

These interim financial statements were prepared under the responsibility of your Board of Directors on July 21, 2020 based on the information available on this date in a changing context of crisis linked to Covid-19 and the difficulty of gaging its impacts and future prospects. It is our duty, on the basis of our limited review, to report our conclusions on these financial statements.

1. Conclusions on the financial statements

We have conducted our limited review according to auditing standards applicable in France. A limited review primarily entails speaking with the members of management in charge of accounting and financial matters and applying analytical procedures. This review is less extensive than that required for an audit conducted according to auditing standards applicable in France. Therefore, the assurance obtained through a limited review that the financial statements as a whole are free of material misstatements is moderate and not as high as the assurance obtained through an audit.

Based on our limited review, we have not identified any material misstatements that could lead us to question, in accordance with French accounting rules and principles, that the interim financial statements are accurate and present a true and fair view of the company's assets, liabilities and financial position at the end of the half-year period and of the results for said period.

2. Specific verification

We have also verified the information provided in the interim activity report issued on July 21, 2020 regarding the interim financial statements covered by our limited review.

We have no comments regarding the fairness of this information and its consistency with the interim financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 30, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Ernst & Young et Autres

Nicolas Montillot

Hassan Baaj

CREDIT MUTUEL HOME LOAN SFH

Statutory financial statements

at June 30, 2020

- Statement of financial position
- Income statement

STATUTORY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS (€ millions)	Note	2020 June 30	2019 December 31
Cash, central banks			
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		2020	2019
		June 30	December 31
Commitments received			
Financing commitments			
Commitments received from credit institutions			
Guarantee commitments			
Commitments received from credit institutions	10	35,001.1	35,001.0
Securities commitments			
Securities sold with repurchase or reacquisition option			
Other commitments received			

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (€ millions)	Note	2020 June 30	2019 December 31
Central banks			
Due to credit institutions			
Customer deposits			
Debt securities	5	25,481.8	23,841.3
Other liabilities	3	3,450.0	2,750.0
Accruals and deferred income	4	87.6	76.1
Provisions			
Subordinated debt	6	60.2	60.1
Fund for general banking risks			
Shareholders' equity	7	223.5	224.9
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.9	1.8
- Revaluation reserve			
- Regulated provisions			
- Retained earnings			
- Profit/(loss) for the period		1.6	3.1
Total liabilities and shareholders' equity		29,303.1	26,952.4
Off-statement of financial position items		2020	2019
		June 30	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			
Securities acquired with reacquisition option			
Other commitments given			

INCOME STATEMENT

(€ millions)	Note	2020 June 30	2019 June
+ Interest and similar income	13	211.1	229.5
+ Interest and similar expense	13	(208.4)	(226.7)
+ Income from variable-income securities			
+ Commission income			
+ Commission expense			
+/- Gains or losses on trading account transactions			
+/- Gains or losses on investment portfolio and similar transactions			
+ Other banking income			
+ Other banking expense			
= Net banking income		2.7	2.8
+ Payroll costs			
+ Other administrative expenses		(0.4)	(0.6)
+ Depreciation and amortization			
= General operating expenses		(0.4)	(0.6)
= Gross operating income		2.3	2.2
+ Net additions to/reversals from provisions for loan losses			
= Operating income		2.3	2.2
+/- Gains or losses on non-current assets			
= Income before non-recurring items		2.3	2.2
+/- Non-recurring items			
+ Income tax	14	(0.7)	(0.7)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
= Net income (loss)		1.6	1.5

STATEMENT OF NET CASH FLOWS

(€ thousands)	06.2020	06.2019
Net income(loss)	1,618	1,504
Tax	698	706
Income(loss) before tax	2,316	2,210
+/- 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 income(loss) of equity-consolidated companies	0	0
+/- Net loss/gain from investing activities	0	0
+/- Expense from financing activities	0	0
+/- Other movements	-11,529	1,240
= Total non-monetary items included in net income(loss) before tax and other adjustments	-11,529	1,240
+/- Cash flows relating to transactions with credit institutions	-2,439,774	3,397,229
+/- Cash flows relating to customer transactions	0	0
+/- 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	702,062	-3,697,848
- Tax paid	-780	-908
= Net decrease in assets and liabilities from operating activities	-1,738,492	-301,527
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	-1,747,705	-298,077
+/- Cash flows relating to financial assets and equity 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	-2,970
+/- Other net cash flows relating to financing activities	1,750,000	300,000
TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES	1,747,030	297,030
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	0	0
Net increase in cash and cash equivalents	-675	-1,047
Net cash flows from operating activities	-1,747,705	-298,077
Net cash flows relating to investing activities	0	0
Net cash flows relating to financing activities	1,747,030	297,030
Impact of changes in exchange rates on cash and cash equivalents	0	0
<u>Cash and cash equivalents at beginning 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
<u>Cash and cash equivalents at end of period</u>	<u>277,448</u>	<u>278,254</u>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	277,448	278,254
CHANGE IN NET CASH AND CASH EQUIVALENTS	-675	-1,047

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 the first half of 2020, Crédit Mutuel Home Loan SFH issued €3 billion in EMTN bonds. Taking into account issues that had reached maturity, total issues on the statement of financial position were €25.3 billion at June 30, 2020.

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 statutory financial statements are prepared in accordance with French national accounting standards authority (*Autorité des normes comptables* – ANC) 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

	June 30, 2020		December 31, 2019	
	Demand deposits	Term deposits	Demand deposits	Term deposits
Current accounts	277.5		278.1	
Loans, securities received under repurchase agreements (*)		28,746.2		26,306.4
Securities delivered under repurchase agreements		189.2		290.0
Accrued Non-performing loans Impairment				
Total	277.5	28,935.4	278.1	26,596.4
Total receivables due from credit institutions		29,212.9		26,874.5

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

	June 30, 2019		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Premiums on options				
Guarantee deposits	1.9	3,450.0	1.5	2,750.0
Securities settlement accounts				
Debt representing securities borrowed				
Deferred taxes				
Other receivables and payables	0.7		0.6	
Accrued interest				
Impairment				
Total	2.6	3,450.0	2.1	2,750.0

NOTE 4 - Accruals

	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Collection accounts				
Currency and off-statement of financial position adjustment accounts	2.9	2.9	2.0	2.1
Other accruals	84.7	84.7	73.8	74.0
Total	87.6	87.6	75.8	76.1

Accrual accounts - liabilities mainly concern EMTN issue premiums. Accrual accounts - assets reflect accruals - liabilities at the loan level.

NOTE 5 - Debt securities

	June 30, 2020	December 31, 2019
Certificates of deposit		
Interbank certificates and negotiable debt instruments Bonds	25,296.2	23,556.4
Other debt securities Accrued interest	185.6	284.9
Total	25,481.8	23,841.3

Borrowings are in EUR and NOK.

NOTE 6 - Subordinated debt

	December 31, 2019	Issues	Repayments	Other changes	June 30, 2020
Subordinated debt					
Non-voting loan stock					0.0
Perpetual subordinated debt	60.0				60.0
Accrued interest	0.1				0.2
Total	60.1	0.0	0.0	0.0	60.2

Main subordinated debt issues:

	OUTSTANDING	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	Total	FRBG
Balance at January 1, 2019	220.0	0.0	1.6	0.1	3.1	224.8	0.0
Income(loss) for the period					3.1	3.1	
Appropriation of earnings from previous period			0.2	2.8	(3.1)	0.0	
Distribution of dividends				(2.9)		(2.9)	
Capital increase							
Impact of revaluations						0.0	
Other changes							
Impact of the merger						0.0	
Balance at December 31, 2019	220.0	0.0	1.8	0.0	3.1	224.9	0.0
Balance at January 1, 2020	220.0	0.0	1.8	0.0	3.1	224.9	0.0
Profit for the first half of the year					1.6	1.6	
Appropriation of earnings from previous period			0.2	2.9	(3.1)	0.0	
Distribution of dividends				(2.9)		(2.9)	
Capital increase						0.0	
Impact of revaluations						0.0	
Other changes			(0.1)			(0.1)	
Impact of the merger						0.0	
Balance at June 30, 2020	220.0	0.0	1.9	0.0	1.6	223.5	0.0

At June 30, 2020, the share capital comprised 22,000,000 shares with a par value of €10 each.

BFCM held 99.99% of the capital of Crédit Mutuel Home Loan SFH at June 30, 2020.

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

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

	< 3 months and demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Perpetual	Accrued interest	Total at June 30, 2019
ASSETS							
Receivables due from credit institutions	5,264.9	1,974.8	11,442.9	10,530.3			29,212.9
Receivables due from customers							0.0
Bonds and other fixed-income securities							0.0
LIABILITIES							
Due to credit institutions							
Customer deposits							0.0
Debt securities							0.0
- Certificates of deposit							0.0
- Interbank instruments and negotiable debt securities							
- Bonds	1,537.9	1,974.8	11,440.4	10,528.7			25,481.8
- Other							
Subordinated debt				60.0		0.2	60.2

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

The euro-equivalent of foreign currency-denominated assets and liabilities was, respectively, -€104.5 million and €104.5 million at June 30, 2020.

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's branch network, in accordance with Article 431-7 of the French Monetary and Financial Code.

At June 30, 2020, the amount of this guarantee was €35.0011 billion compared to €31.001 billion at December 31, 2019.

NOTE 11 - 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	June 30, 2020	December 31, 2019
GROSS EXPOSURE		
Credit institution risk	11.6	12.2
Company risk		
TOTAL	11.6	12.2

Fair value of forward financial instruments	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	21.5	21.5	19.50	19.50

NOTE 12 - Other off-statement of financial position commitments

	June 30, 2020	December 31, 2019
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	232.9	243.10
. Overall interest rate risk		
.. Specialized management		

NOTE 13 - Interest income and expense

	June 30, 2020		June 30, 2019	
	Income	Expense	Income	Expense
Credit institutions	208.6	(2.0)	227.0	12.4
Customers				
Finance leases and operating leases				
Bonds and other fixed-income securities		210.4		214.3
Other	2.5		2.5	
Total	211.1	208.4	229.5	226.7

NOTE 14- Corporate income tax

	June 30, 2020	June 30, 2019
Current income tax - Amount for the period	0.7	0.7
Current tax - Adjustments for previous periods		
Current income tax - Effect of tax consolidation		
Total	0.7	0.7
On ongoing operations		
On non-recurring items		
Total	0.7	0.7

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. There are no tax loss carryforwards.