Assurances Crédit Mutuel

FINANCIAL STATEMENTS

IFRS Consolidated Financial Statements

→ GROUPE DES ASSURANCES DU CRÉDIT MUTUEL SA

2019

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1. ANNUAL FINANCIAL STATEMENTS

1.1 Statement of financial position at December 31, 2019

ASSETS

(in thousands of euros)

	Gross amount 12/31/2019	Deprec. and amort. and provisions for impairment	Net amount 12/31/2019	Net amount 12/31/2018
FINANCIAL INVESTMENTS				
Equity investments	4,067,782		4,067,782	4,180,026
Receivables related to equity investments	137		137	128
Other long-term investments				
Loans	0		0	0
Total financial investments	**4,067,919**	**0**	**4,067,919**	**4,180,154**
TOTAL NON-CURRENT ASSETS	**4,067,919**	**0**	**4,067,919**	**4,180,154**
RECEIVABLES				
Trade receivables	9	9	0	0
Tax receivables from related entities	89,247		89,247	80,804
Others	39		39	39
Accrued income	0		0	4
Total receivables	**89,295**	**9**	**89,287**	**80,847**
CASH EQUIVALENT				
Other securities	60,081		60,081	272,134
Total marketable securities	**60,081**	**0**	**60,081**	**272,134**
CASH	**197,324**		**197,324**	**163**
PREPAID EXPENSES	**0**		**0**	**0**
TOTAL CURRENT ASSETS	**346,700**	**9**	**346,692**	**353,144**
TOTAL ASSETS	**4,414,619**	**9**	**4,414,611**	**4,533,298**

LIABILITIES

(in thousands of euros)

	Net amount 12/31/2019	Net amount 12/31/2018
SHAREHOLDERS' EQUITY		
Share capital (of which paid-in €1,241,035 thousand)	1,241,035	1,241,035
Merger premiums	148,858	926,784
Contribution premiums	1,005,491	1,005,491
Legal reserves	124,103	124,103
Miscellaneous reserves	1,770	1,770
Retained earnings	0	734,220
Net profit (loss)	1,777,723	369,424
Total shareholders' equity	**4,298,981**	**4,402,827**
DEBTS		
Borrowings and miscellaneous financial debts	22,750	45,500
Tax and social security debts	92,499	84,365
Debts on non-current assets and related accounts	0	0
Miscellaneous creditors	382	606
Total debts	**115,630**	**130,471**
TOTAL LIABILITIES	**4,414,611**	**4,533,298**

1.2 Income statement at December 31, 2019

(in thousands of euros)

	12/31/2019	12/31/2018
OPERATING EXPENSES		
External services	48	−145
Other external services	421	1,844
Taxes, duties and related payments	0	−5
Other expenses	0	0
Total operating expenses	**469**	**1,693**
FINANCIAL EXPENSES		
Interest and similar expenses	638	847
Negative exchange rate differences	1,695	421
Total financial expenses	**2,333**	**1,268**
NON-RECURRING EXPENSES		
On management transactions	0	0
On share capital transactions	220,872	11,603
Total non-recurring expenses	**220,872**	**11,603**
INCOME TAX	**6,729**	**3,911**
TOTAL EXPENSES	**230,403**	**18,475**
Profit (loss)	**1,777,723**	**369,423**
OVERALL TOTAL	**2,008,126**	**387,898**

(in thousands of euros)

	12/31/2019	12/31/2018
OPERATING INCOME		
Other income	30	26
Total operating income	**30**	**26**
REVERSAL OF PROVISIONS, DEPRECIATION AND AMORTIZATION		
Reversal of depreciation and amortization of intangible assets		
Total reversals of provisions, depreciation and amortization	**0**	**0**
FINANCE INCOME		
Finance income from equity investments	1,705,144	289,622
Interest on subordinated debt	271	257
Loan income	0	38
Other interest and similar income	200	28
Foreign exchange gains	631	0
Reversals of provisions for impairment of non-current financial assets	103,526	21,792
Net gains on disposals of marketable securities		
Total finance income	**1,809,772**	**311,738**
NON-RECURRING INCOME		
On management transactions	0	0
On share capital transactions	198,323	76,134
Total non-recurring income	**198,323**	**76,134**
TOTAL INCOME	**2,008,126**	**387,898**
OVERALL TOTAL	**2,008,126**	**387,898**

1.3 Off-balance sheet

(in thousands of euros)

	12/31/2019	12/31/2018
1. Commitments received	**198,629**	**2,000**
Short-term overdraft facilities granted BECM	2,000	2,000
MAD exchange rate hedge	196,629	
2. Commitments given	**0**	**0**
Other commitment given GIE		

2. NOTES TO THE FINANCIAL STATEMENTS

2.1 Highlights

Disposal of the shares of Royale Marocaine d'Assurance by the Groupe des Assurances du Crédit Mutuel

On October 18, 2019, the company sold its entire stake of 22.02% of the capital of Royale Marocaine d'Assurance (RMA). The amount of the transaction was 2.15 billion Moroccan dirhams, or €198 million.

The disposal resulted in an overall capital gain in the separate financial statements of €81 million (after reversal of a provision for long-term impairment of €103 million). The transaction was approved on December 6, 2019 by the Moroccan regulatory authority. The Moroccan Exchange Office authorized GACM to convert and repatriate funds in euros in the first quarter of 2020.

2.2 Accounting principles

The annual financial statements for the fiscal year ended December 31, 2019 were prepared and presented in accordance with French accounting standards, in compliance with the principle of prudence, independence of fiscal years, consistency of accounting policies and assuming business continuity.

Items recognized in the financial statements are valued using the historical cost method.

The fiscal year lasts 12 months, covering the period from January 1, 2019 to December 31, 2019.

The notes and tables presented below are an integral part of the annual financial statements.

2.2.1 Balance sheet accounts

Financial investments

<u>Equity investments</u>

Equity investments are capitalized at their purchase price.

After the acquisition date, investments are valued at their value in use. The following elements may be taken into consideration for this estimate: profitability and profitability outlook, equity, sale prospects, and economic conditions.

An impairment is recorded in the amount of the difference between the price of the securities and their value in use.

These impairments are the result of conservative revisions to the future earnings prospects of these subsidiaries.

2.3 Notes to the statement of financial position

2.3.1 Non-current assets

(in thousands of euros)

	Gross value 01/01/2019	Increases	Decreases	Gross value 12/31/2019
ACM IARD SA	646,232	0	0	646,232
SERENIS ASSURANCES SA	37,880	38	0	37,918
ACM VIE SA	2,549,083	0	0	2,549,083
ACM SERVICES SA	7,000	0	0	7,000
PROCOURTAGE SAS	762	0	0	762
EURO INFORMATION DIRECT SERVICES SAS	30	0	0	30
IMMOBILIERE ACM SASU	300	0	0	300
EURO TVS SAS	577	0	0	577
FONCIERE MASSENA SA	13,775	0	0	13,775
NORTH EUROPE LIFE BELGIUM (NELB) (Belgium) SA	207,451	0	0	207,451
ICM LIFE SA (Luxembourg)	24,993	0	0	24,993
NELL (Luxembourg)	30,345	0	0	30,345
ASTREE SA (Tunisia)	9,110	0	0	9,110
RMA (Morocco)	220,872	0	220,872	0
PARTNERS ASSURANCE SA (Belgium)	36,843	0	0	36,843
EURAFRIC INFORMATION (Morocco)	81	0	0	81
GACM Espana (Spain)	268,510	0	0	268,510
LA PERSONNELLE, cie d’assurance du Canada	17,911	0	0	17,911
LA PERSONNELLE, Assurances Générales	14,397	1,501	0	15,898
CERTIS Direct, cie d’assurance ltée.	6,996	0	0	6,996
DESJARDINS Assurances Générales	44,267	2,976	0	47,243
CERTAS, Cie d’assurances Auto et Habitation	51,571	0	0	51,571
DESJARDINS Assurances Générales inc.	0	0	0	0
Sub-total ordinary shares	4,188,988	4,514	220,872	3,972,630
LA PERSONNELLE, cie d’assurance du Canada	10,503	0	0	10,503
LA PERSONNELLE, Assurances Générales	3,315	0	0	3,315
CERTAS Direct, cie d’assurance ltée	5,560	0	0	5,560
DESJARDINS Assurances Générales	12,703	0	0	12,703
CERTAS, Cie d’assurances Auto et Habitation	53,960	0	0	53,960
Sub-total preferred shares	86,041	0	0	86,041
LA PERSONNELLE, cie d’assurance du Canada	1,045	72	0	1,117
LA PERSONNELLE, Assurances Générales	327	23	0	349
CERTIS Direct, cie d’assurance ltée	551	38	0	589
DESJARDINS Assurances Générales	1,256	87	0	1,343
CERTAS, Cie d’assurances Auto et Habitation	5,344	369	0	5,713
Accrued interest on subordinated securities	128	137	128	137
Sub-total subordinated securities	8,651	725	128	9,247
Total financial investments	**4,283,680**	**5,239**	**221,000**	**4,067,919**
Loans	0	0	0	0
Accrued interest on loans	0	0	0	0
Total loans	**0**	**0**	**0**	**0**
Total non-current assets	**4,283,680**	**5,239**	**221,000**	**4,067,919**

2.3.2 Provisions

(in thousands of euros)

	Provisions 01/01/2019	Allowance the fiscal year	Reversal of the fiscal year	Provisions 12/31/2019
Provision for RMA equity investment	103,526		103,526	0
Doubtful receivables	9			9
Total provisions for impairments	**103,535**	**0**	**103,526**	**9**

The reversal of the provision for equity securities of €103.5 million is related to the disposal of Royale Marocaine d'Assurance.

2.3.3 Maturity schedule of receivables and debts

Receivables

(in thousands of euros)

	Gross amount 12/31/2019	Less than one year	More than one year
Doubtful or disputed receivables	9		9
Tax receivables from related entities	89,247	89,247	
Miscellaneous debtors:			
- expenses to be recovered	17		17
- rental expenses balance	9		9
- calls for funds paid	13		13
- accrued income	0		
Total	**89,295**	**89,247**	**48**

Debts

(in thousands of euros)

	Gross amount 12/31/2019	Less than one year	More than one year
Loans taken out with the CFCMNE	22,750	22,750	
Income tax	92,499	92,499	
VAT	0		
Other debts:			
- customer creditors	8		8
- tenant advances	219		219
- miscellaneous	4		4
- accrued expenses	14	14	
- prepaid income	136	136	
Total	**115,630**	**115,398**	**232**

2.3.4 Breakdown and statement of changes in equity

(in thousands of euros)

	2018	Appropriation of profit (loss) 2018	Other changes 2019	2019
Share capital	1,241,035			1,241,035
Merger premiums	926,784		−777,926	148,858
Contribution premiums	1,005,491			1,005,491
Legal reserves	124,103			124,103
Other reserves	1,770			1,770
Retained earnings	734,220	−110,977	−623,243	0
Profit (loss) for the period	369,424	−369,424	1,777,723	1,777,723
Total shareholders' equity	**4,402,827**	**−480,401**	**376,554**	**4,298,981**
Dividends		**1,881,569 ***		

* Including an exceptional dividend of €1,401,168 thousand

2.3.5 Share capital

At December 31, 2019, the share capital consisted of 80,066,768 ordinary shares with a par value of €15.50.

No shares are held by the company itself, by one of its subsidiaries or by a person acting in its name but on behalf of these companies.

2.3.6 Off-balance sheet commitments

The Company recorded under “commitments received” an amount of €198.6 million, of which €2 million for the bank overdraft authorization and €196.6 million for an exchange rate hedge relating to the disposal of the shares in Royale Marocaine d'Assurance.

2.4 Notes to the income statement

The net profit for the fiscal year, i.e., €1,777,723 thousand, breaks down as follows:

(in thousands of euros)

	12/31/2019	12/31/2018
Operating income	30	26
Reversal of operating provisions	0	0
Operating expenses	− 469	− 1,693
Finance income:		
from equity investments	1,705,144	289,622
interest on subordinated debt	271	257
loan income	0	38
other interest and similar income	200	0
foreign exchange gains	631	0
Net income on the sale of marketable securities	0	0
Provisions on equity investments		
reversals	103,526	21,792
allowances		
Other financial expenses	− 2,333	− 1,268
Disposal of assets		
proceeds from asset disposals	198,323	76,157
carrying amount of items sold	− 220,872	− 11,603
Other non-recurring income	0	0
Other non-recurring expenses	0	0
Other income	0	5
Income tax	− 6,729	− 3,911
Profit (loss) for the period	**1,777,723**	**369,423**

Finance income from equity investments:

This item contains dividends paid by subsidiaries. In 2019, GACM received exceptional dividends from ACM VIE SA and ACM IARD SA, amounting to respectively €851.3 million and €362.4 million.

Disposal of shares in Royale Marocaine d’Assurance

The sale price of the shares of Royale Marocaine d'Assurance amounted to €198.3 million. After reversal of a provision for long-term impairment of €103.5 million, the net gain on disposal amounted to €81.0 million.

2.5 Other information

The company does not employ any employees or compensate any of its directors.

The management report of the Groupe des Assurances du Crédit Mutuel is available to the public at its registered office: 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg, France.

GACM's financial statements are consolidated:

- by the Banque Fédérative du Crédit Mutuel, the main shareholder of GACM SA;
- by the Crédit Mutuel Alliance Fédérale which prepares consolidated "bancassurance" financial statements;

These entities have their registered office at 4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg, France.

- by the Confédération Nationale du Crédit Mutuel, whose central registered office is at 88 rue Cardinet - 75017 Paris, France.

GACM SA is the parent company of the tax group whose members are:

- ACM IARD SA;
- ACM VIE SA;
- ACM VIE SAM;
- MTRL;
- SÉRÉNIS ASSURANCES SA;
- ACM SERVICES SA;
- PROCOURTAGE SAS;
- FONCIÈRE MASSÉNA SA.

The tax consolidation agreements between GACM and its consolidated subsidiaries provide that each consolidated company is required to recognize corporate income tax as if it were not part of the tax consolidation group. Following amendments signed on November 25, 2019, the tax consolidation agreements stipulate that loss-making subsidiaries will receive from GACM an amount equal to the tax savings obtained by the latter by taking into account the subsidiaries' losses.

2.6 Subsequent events

None.

3. MAIN SUBSIDIARIES AND EQUITY INVESTMENTS

COMPANIES	Amount expressed in	Share capital	Shareholders' equity other than share capital
ACM SERVICES SA	€ thousands	7,000	7,195
ACM IARD SA	€ thousands	201,597	1,399,031
ACM VIE SA	€ thousands	778,371	4,433,964
SÉRÉNIS ASSURANCES SA	€ thousands	16,422	35,382
GACM ESPAÑA SA (Spain)	€ thousands	268,510	1,073
PARTNERS ASSURANCES SA (Belgium)	€ thousands	7,835	19,583
NORTH EUROPE LIFE BELGIUM SA (Belgium)	€ thousands	29,426	200,067
EURO TVS SAS	€ thousands	2,238 *	32,708 *
EURO INFORMATION DIRECT SERVICES SAS	€ thousands	320 *	4,736 *
ICM LIFE SA (Luxembourg)	€ thousands	14,717	18,729
NORD EUROPE LIFE LUXEMBOURG SA (Luxembourg)	€ thousands	19,756	24,011
PROCOURTAGE SAS	€ thousands	800	6,095
IMMOBILIÈRE ACM SASU	€ thousands	300	32
FONCIÈRE MASSÉNA SA	€ thousands	91,431	493,211
LA PERSONNELLE, cie d'assurance du Canada - Ordinary shares LA PERSONNELLE, cie d'assurance du Canada - Preferred shares	CAD millions	130 *	299 *
LA PERSONNELLE, Assurances Générales inc. (Canada) - Ordinary shares LA PERSONNELLE, Assurances Générales inc. (Canada) - Preferred shares	CAD millions	120 *	38 *
CERTAS DIRECT, cie d'assurance ltée. (Canada) - Ordinary shares CERTAS DIRECT, cie d'assurance ltée. (Canada) - Preferred shares	CAD millions	136 *	37 *
CERTAS, Cie d'assurances Auto et Habitation (Canada) - Ordinary shares CERTAS, Cie d'assurances Auto et Habitation (Canada) - Preferred shares	CAD millions	1,067 *	86 *
DESJARDINS, Assurances Générales inc. (Canada) - Ordinary shares DESJARDINS, Assurances Générales inc. (Canada) - Preferred shares	CAD millions	146 *	357 *
DESJARDINS, Services d'assurances Générales, inc. (Canada)	CAD millions	- *	35 *
ASTREE SA (Tunisia)	TND thousands	30,000 *	93,335 *
EURAFRIC INFORMATION (Morocco)	MAD thousands	10,000 *	- 12,155 *

* Figures for 2018

Percentage of capital held	Gross carrying amount of the shares held	Net carrying amount of the shares held	Loans and advances granted by the company and not repaid	Amount of sureties and guarantees provided by the company	Revenue of last fiscal year (2019)	Net profit (loss) or loss of last fiscal year (2019)	Dividends drawn by GACM during the fiscal year (2019)
100.00 %	7,000	7,000	none	none	3,267	1,294	0
96.53 %	646,232	646,232	none	none	3,354,801	127,364	541,229
100.00 %	2,549,083	2,549,083	none	none	7,064,107	468,126	1,143,229
99.68 %	37,918	37,918	none	none	148,481	1,142	0
100.00 %	268,510	268,510	none	none	0	920	0
100.00 %	36,843	36,843	none	none	56,087	275	0
100.00 %	207,451	207,451	none	none	76,480	10,149	0
2.13 %	577	577	none	none	30,893 *	2,221 *	0
10.00 %	30	30	none	none	13,334 *	616 *	0
99.99 %	24,993	24,993	none	none	731	598	0
100.00 %	30,345	30,345	none	none	41,583	3,023	0
100.00 %	762	762	none	none	5,384	1,302	0
100.00 %	300	300	none	none	0	0	0
2.32 %	13,775	13,775	none	none	48,760	20,322	0
10.00 %	25 15	25 15	2	none	951 *	43 *	1
10.00 %	23 5	23 5	1	none	444 *	10 *	0
10.00 %	10 8	10 8	1	none	453 *	31 *	1
10.00 %	71 76	71 76	8	none	1,937 *	8 *	4
10.00 %	68 18	68 18	2	none	1,136 *	31 *	1
10.00 %	0	0	none	none	0 *	52 *	4
30.00 %	14,640	14,640	none	none	155,246 *	16,319 *	2,916
9.00 %	900	900	none	none	195,194 *	- 11,647 *	0

Strasbourg, February 18, 2020

For the year ended 31 December 2019

To the annual general meeting of Groupe des Assurances du Crédit Mutuel S.A,

Opinion

In compliance with the engagement entrusted to us at your Annual General Meetings, we have audited the accompanying financial statements of Groupe des Assurances du Crédit Mutuel SA (GACM SA) for the year ended 31 December 2019. The financial statements were approved by the Board of Directors on 12 February 2020 on the basis of information available to date against the changing backdrop of the Covid-19 outbreak.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

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

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of Subsidiaries and equity investments

Risk identified and main audit judgements

Investments in associates, recognized for a net amount of €4,068 million, are among the most significant items on the balance sheet as at 31 December 2019. They are recognized at their transaction-date acquisition cost, are impaired on the basis of their value in use, and reflect the price the Company would be willing to pay to acquire them.

As indicated in Note 2.2. to the financial statements "Accounting principles", Management estimated value in use based on measurements that take profitability and forecast profitability into account, shareholders' equity, likelihood of occurrence and the economic context.

An impairment is recorded to account for the difference between the cost price of securities and their value in use.

The competitive and economic environment of certain subsidiaries may result in a decrease in business activity and operating income.

In this context, and due to the inherent uncertainties relating to certain items and the likelihood of their occurrence, we considered that the proper measurement of investments in associates is a key audit matter.

Audit procedures in response to the risk identified

Based on the information provided to us, to assess the reasonableness of Management's estimates of the value in use of investments in associates, our work consisted primarily in verifying that they were based on an appropriate justification of the measurement method and figures used and, depending on the investments concerned, in:

For the year ended 31 December 2019

For measurements based on historic data:

- We ensured that shareholders' equity was consistent with the entities' audited financial statements or analytical procedures and that any adjustments made to shareholder's equity were based on appropriate documentation;

For measurements based on forecast data:

- We obtained forecast profit figures of the relevant entities and assessed their consistency with the forecast data from the latest strategic business plans;
- We checked the consistency of the assumptions made with the economic environment at the closing and reporting dates;
- We compared forecast and actual figures for prior reporting periods to assess the achievement of objectives.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the shareholders. With regard to events taking place in the financial year and subsequent events relating to the effects of Covid-19, Management has informed us that they will be communicated at the Annual General Meeting held to approve the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code.

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Article L.225-37-4 of the French Commercial Code.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Groupe des Assurances du Crédit Mutuel S.A. at the annual general meeting of 3 May 2017 for KPMG S.A. and 22 May 2002 for Gross Hugel.

As at 31 December 2019, KPMG S.A. was in the third year of total uninterrupted engagement and Gross Hugel in its 18th year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

For the year ended 31 December 2019

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors,

Paris La Défense, 17 April 2020
KPMG SA
Francine Morelli
Partner

Strasbourg, 17 April 2020
Cabinet Gross-Hugel
Frédéric Lugnier
Partner

CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP OVERVIEW

Groupe des Assurances du Crédit Mutuel (GACM) acquires and manages equity interests in insurance and reinsurance companies in France and abroad.

GACM is subject to supervision by the Autorité de Contrôle Prudentiel et de Résolution (ACPR - French Prudential Supervision and Resolution Authority).

GACM SA is a *société anonyme* (French Limited Company) with a Management Board and a Supervisory Board with share capital of €1,241,034,904.00.

Its registered office is located at 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg.

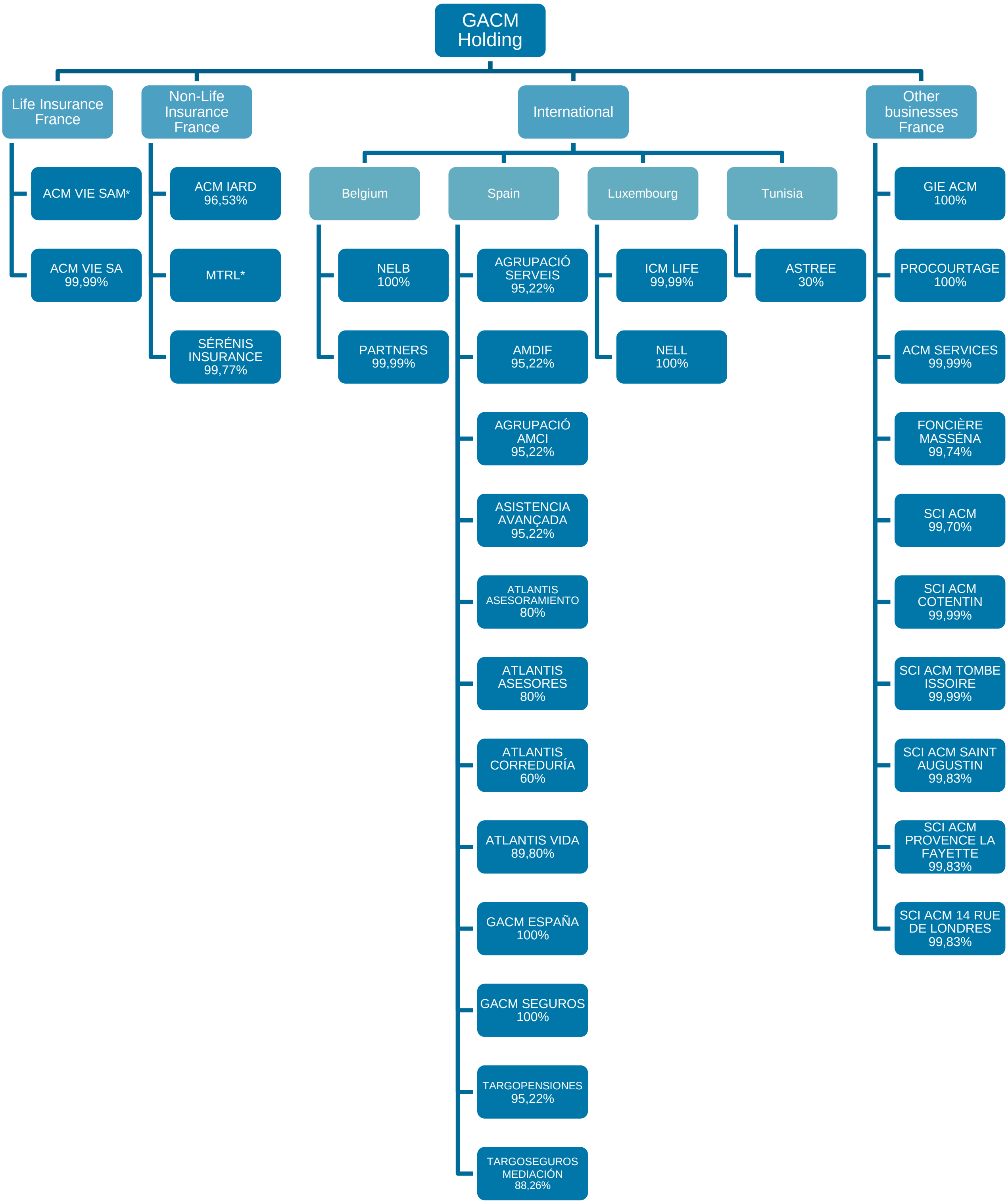
1.1 Shareholding structure

The share capital of the Groupe des Assurances du Crédit Mutuel is comprised of 80,066,768 shares of €15.50 each, held by:

(in euros)

	SHAREHOLDERS	SHARE CAPITAL	
1	Banque Fédérative du Crédit Mutuel	621,003,981.50	50.04%
2	CIC	199,363,666.00	16.06%
3	Caisse Fédérale du Crédit Mutuel Nord Europe	126,812,552.50	10.22%
4	Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	91,767,734.50	7.39%
5	Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest	67,127,570.50	5.41%
6	Caisse Fédérale du Crédit Mutuel Océan	35,764,886.00	2.88%
7	Caisse Régionale du Crédit Mutuel d'Anjou	23,236,778.50	1.87%
8	Caisse Régionale du Crédit Mutuel du Centre	18,353,441.50	1.48%
9	Caisse Régionale du Crédit Mutuel Midi-Atlantique	14,374,297.00	1.16%
10	Caisse Régionale du Crédit Mutuel Ile-de-France	8,654,983.00	0.70%
11	Caisse Régionale du Crédit Mutuel de Normandie	8,481,646.50	0.68%
12	Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	7,748,357.00	0.62%
13	Caisse de Crédit Mutuel du Sud-Est	6,898,445.50	0.56%
14	Caisse Régionale du Crédit Mutuel Méditerranéen	6,743,027.00	0.54%
15	Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais	4,703,506.00	0.38%
16	Caisse Fédérale de Crédit Mutuel	15.50	0.00%
17	Fédération du Crédit Mutuel Centre Est Europe	15.50	0.00%
		1,241,034,904.00	**100.00%**

1.2 Group organizational chart



* Combined companies

2. RELATED PARTY INFORMATION

The parties related to GACM are the companies of the GACM group as well as the Group's key executives.

2.1 Relationships with Crédit Mutuel Alliance Fédérale

In December 2019, ACM VIE SA underwrote €500,000 thousand of subordinated debt from Banque Fédérative du Crédit Mutuel, maturing in December 2029.

In its investment portfolio, the GACM Group holds €8,977,485 thousand of securities issued by Crédit Mutuel Alliance Fédérale, of which €1,312,918 thousand of assets representing unit-linked contracts.

Insurance contracts are marketed through the Crédit Mutuel and CIC banking networks.

Crédit Mutuel Alliance Fédérale’s pension commitments are partly covered by collective insurance agreements with GACM life insurance companies.

These agreements provide for the creation of collective funds intended to cover end-of-career indemnities or the various pension plans, in return for contributions from the employer, the management of these funds by the insurance company and the payment to the beneficiaries of the premiums and pension benefits pursuant to the various plans.

2.2 Relationships between Group consolidated companies

The list of GACM group consolidated companies is presented in Note 4.12 "Scope of consolidation".

Transactions between fully consolidated companies are entirely eliminated.

2.3 Relationships with the key executives

There are no material transactions between GACM and its key executives, their families or the companies they control that are not included in the group's consolidation scope.

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1 Balance sheet assets

(in thousands of euros)	Notes	12/31/2019	12/31/2018 *
Goodwill	4.7.1	136,808	136,808
Value of in-force business	4.7.2	4,192	8,632
Other intangible assets	4.7.2	10,997	11,067
Intangible assets		**151,998**	**156,508**
Investments property	4.7.3	2,573,066	2,605,303
Unit-linked investment property		0	0
Financial investments - Shares and other variable income securities	4.7.5	27,317,791	24,561,171
Financial investments - Property	4.7.5	2,535,588	2,271,821
Financial investments - Bonds	4.7.5	84,954,179	82,796,393
Financial investments - Loans and deposits	4.7.5	5,980,627	3,020,567
Financial assets for unit-linked contracts	4.7.5	13,751,057	12,176,875
Derivatives and separate embedded derivatives	4.7.12	3	104
Other investments		0	0
Investments from insurance activities	**4.7.3 to 4.7.12**	**137,112,311**	**127,432,234**
Investments from banking and other activities		**464,618**	**766,280**
Investments in equity-consolidated companies	**4.7.13**	**16,795**	**144,377**
Reinsurers' share in insurance and investment contracts liabilities	**4.7.14**	**424,403**	**348,293**
Operating property and other property, plant and equipment	4.7.15	153,792	116,960
Deferred acquisition costs	4.7.16	51,162	110,130
Deferred policyholders' participation assets	4.7.28	0	0
Deferred tax assets	4.7.17	25,079	24,239
Receivables arising from direct insurance and inward reinsurance operations	4.7.18	309,212	287,563
Receivables arising from outward reinsurance operations	4.7.19	12,927	5,395
Current tax receivables	4.7.17	86,033	69,497
Other receivables	4.7.20	327,886	370,125
Other assets		**966,091**	**983,909**
Assets held for sale and discontinued operations (1)		**725,959**	**0**
Cash and cash equivalents		**751,743**	**260,842**
TOTAL ASSETS		**140,613,918**	**130,092,443**

* This presentation takes into account the reclassification from "Investment property" to "Operating properties and other property, plant and equipment"

(1) Application of IFRS 5 in 2019 for Nord Europe Life Luxembourg SA

3.2 Balance sheet liabilities

(in thousands of euros)	Notes	12/31/2019	12/31/2018 *
Share capital		1,241,035	1,241,035
Issue, merger and contribution premiums		1,154,349	1,932,275
Gains and losses recognized directly in equity		1,642,024	1,061,786
Retained earnings		6,060,067	6,246,666
Net consolidated income - Group share		879,068	845,731
Shareholders' equity – Group share		**10,976,542**	**11,327,493**
Gains and losses recognized directly in equity		16,713	9,942
Retained earnings excluding group		64,597	74,744
Net profit (loss) excluding group		6,495	9,353
Non-controlling interests		**87,805**	**94,039**
Total shareholders' equity		**11,064,347**	**11,421,532**
Provisions for risks and charges	**4.7.24**	**55,218**	**53,500**
Subordinated debt		800,000	300,000
Debt securities		0	0
Debt financing of banking sector companies		272,383	280,803
Other debt financing		8,869,900	7,852,449
Financing debt	**4.7.25**	**9,942,283**	**8,433,252**
Liabilities arising from insurance contracts		*9,159,517*	*8,302,417*
Liabilities arising from insurance contracts where the financial risk is borne by Policyholders		*13,694,633*	*12,129,190*
Total liabilities arising from insurance contracts	4.7.26	22,854,150	20,431,607
Liabilities arising from investment contracts with discretionary participating features		*83,585,054*	*81,765,076*
Liabilities arising from investment contracts with no discretionary participating features		*0*	*0*
Liabilities related to unit-linked financial contracts		*0*	*0*
Total liabilities arising from investment contracts	4.7.27	83,585,054	81,765,076
Separate derivatives on contracts	4.7.12	12,396	11,478
Deferred profit-sharing liabilities	4.7.28	11,350,095	7,128,535
Liabilities arising from insurance and investment contracts		**117,801,695**	**109,336,695**
Liabilities arising from banking activities		**0**	**0**
Deferred tax liabilities	4.7.17	290,110	42,422
Due to holders of consolidated mutual fund shares		0	0
Operating debt securities		0	0
Operating debt to banking sector companies		0	0
Payables arising from direct insurance and inward reinsurance operations	4.7.29	144,972	124,521
Payables arising from outward reinsurance operations	4.7.30	214,806	196,674
Current tax payables	4.7.17	9,708	7,561
Derivative liabilities		0	0
Current accounts payable		3,252	10,055
Other debts	4.7.31	362,744	466,231
Other liabilities		**1,025,592**	**847,464**
Liabilites held for sale and discontinued operations (1)		**724,783**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**140,613,918**	**130,092,443**

* This presentation takes into account reclassifications within "Contract liabilities"

(1) Application of IFRS 5 in 2019 for Nord Europe Life Luxembourg SA

3.3 Consolidated income statement

(in thousands of euros)	Notes	12/31/2019	12/31/2018 *
Gross written premiums	*4.8.1*	*12,080,412*	*11,943,929*
Change in unearned premiums		*−3,070*	*415*
Premiums earned		12,077,342	11,944,344
Net banking income, net of cost of risk		0	0
Revenue or income from other activities		152,667	138,747
Other operating income and expenses		−59,630	−41,838
Net investment income		*2,698,681*	*2,778,463*
Investment expenses		*−46,207*	*−70,875*
Gains and losses on disposals of investments net of reversals of impairment and amortization charges		*850,082*	*−21,934*
Change in fair value of investments recognized at fair value through profit or loss		*1,768,774*	*−1,049,604*
Change in investments impairments		*−24,664*	*−35,589*
Investment income net of expenses	4.8.3	5,246,666	1,600,461
Insurance policy servicing expenses	4.8.4	−14,224,143	−10,516,913
Income from reinsurance		*−96,464*	*−93,685*
Expenses from reinsurance		*111,640*	*51,187*
Net expenses and income from reinsurance	4.8.7	15,176	−42,498
Banking operating expenses			0
Expenses from other activities		−107,761	−111,494
Contract acquisition costs		−1,301,034	−1,218,359
Amortization of value of in-force business and similar		−4,440	−2,673
Administrative expenses		−537,241	−495,843
Other current operating income		10,397	11,394
Other current operating expenses		−12,729	−12,588
Current operating profit (loss)		**1,255,270**	**1,252,741**
Other operating income		75,918	72,559
Other operating expenses		−54,296	−41,113
Operating profit (loss)	**4.8.5**	**1,276,892**	**1,284,187**
Financing expense		−27,903	−24,423
Share in profit (loss) of equity-consolidated companies		10,897	18,104
Income tax	4.8.8	−374,324	−422,785
Profit (loss) after tax of discontinued operations		0	0
CONSOLIDATED NET PROFIT		**885,562**	**855,083**
Non-controlling interests		−6,495	−9,353
Consolidated net profit - Group share		**879,068**	**845,731**

* This presentation takes into account reclassifications of the item "Contract acquisition costs" to "Depreciation of portfolio securities and similar".

3.4 Net profit (loss) and other comprehensive income

(in thousands of euros)	12/31/2019	12/31/2018
Net profit (loss)	**885,562**	**855,083**
Items that can be recycled in the income statement	***666,524***	***−260,844***
Revaluation of available-for-sale financial assets gross of deferred tax	4,729,101	−2,520,049
Revaluation of hedging derivatives	0	0
Shadow accounting, gross of deferred taxes	−3,827,765	2,098,218
Related deferred taxes	−234,812	160,987
Other changes	0	0
Items that cannot be recycled in the income statement	***−2,410***	***126***
Revaluations of non-current assets	0	0
Revaluation of the actuarial liability for defined benefit plans	−3,498	174
Related deferred taxes	1,088	−48
Other changes	0	0
Translation differences	***2,544***	***1,061***
Total gains and losses recognized directly in equity	**666,658**	**−259,657**
NET PROFIT (LOSS) and GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**1,552,220**	**595,426**
Of which Group share	*1,538,954*	*590,310*
Of which share of non-controlling interests	*13,266*	*5,115*

3.5 Changes in equity

(in thousands of euros)	Group Equity							
	Share capital	Premiums related to share capital	Retained earnings	Net Profit (loss)	Gains and losses recognized in other comprehensive income	Total Group equity	Non-controlling interests	Total
Equity 01/01/2018	**1,118,793**	**1,005,491**	**5,778,870**	**744,481**	**1,317,205**	**9,964,840**	**191,386**	**10,156,226**
Net profit (loss) for the year				845,731		845,731	9,353	855,084
Other comprehensive income recognized directly in equity					−255,419	−255,419	−4,239	−259,658
Total comprehensive income for the year	**0**	**0**	**0**	**845,731**	**−255,419**	**590,312**	**5,114**	**595,426**
Appropriation of profit (loss)			744,481	−744,481		0		0
Dividends			−336,093			−336,093	−5,414	−341,507
Change in share capital	122,242		0			122,242		122,242
Change in interest rates			22,555		0	22,555	−99,757	−77,202
Restructuring			0		0	0	0	0
Change in scope of consolidation	0	927,687	48,616	0	0	976,303	2,690	978,993
Other		−903	−11,763			−12,666	20	−12,646
Equity 12/31/2018	**1,241,035**	**1,932,275**	**6,246,666**	**845,731**	**1,061,786**	**11,327,493**	**94,039**	**11,421,532**
Net profit (loss) for the year				879,068		879,068	6,495	885,562
Other comprehensive income recognized directly in equity					659,884	659,884	6,774	666,658
Total comprehensive income for the year	**0**	**0**	**0**	**879,068**	**659,884**	**1,538,952**	**13,269**	**1,552,220**
Appropriation of profit (loss)			845,731	−845,731		0		0
Dividends		−777,926	−1,103,609			−1,881,536	−19,466	−1,901,001
Change in share capital			0			0		0
Change in interest rates			−4		3	−1	−37	−38
Restructuring			0		0	0	0	0
Change in scope of consolidation		0	79,649	0	−79,649	0	0	0
Other		0	−8,366			−8,366	0	−8,366
Equity 12/31/2019	**1,241,035**	**1,154,349**	**6,060,067**	**879,068**	**1,642,024**	**10,976,542**	**87,805**	**11,064,347**

3.6 Cash flow statement

(in thousands of euros)	12/31/2019	12/31/2018
Operating profit (loss) before tax	**1,276,892**	**1,284,187**
Gains and losses from disposal of financial investments	−763,729	28,620
Gains and losses from disposal of property investments	−23,946	−33,825
Gains and losses from disposal of property, plant and equipment and intangible assets	1	2
Gains and losses from sale of investments	**−787,674**	**−5,203**
Net amortization expense	48,827	48,405
Change in deferred acquisition costs	58,968	145
Change in impairments	24,325	34,843
Net additions to technical liabilities related to insurance contracts and financial contracts	4,861,023	1,632,267
Net additions to other provisions	1,324	−1,360
Changes in the fair value of investments and other financial instruments recognized at fair value through profit or loss	−1,769,647	1,031,602
Other non-cash items included in operating profit (loss)	285,615	20,139
Correction of items included in operating profit (loss) that do not correspond to cash flows and reclassification of financing and investment flows	**2,722,762**	**2,760,838**
Change in operating receivables and debts	−102,491	−99,783
Change in securities given or received under repurchase agreements		
Cash flows from other assets and liabilities	−49,898	−50,464
Net taxes paid	−353,599	−481,194
Net cash flows from operating activities	**3,493,666**	**3,413,583**
Acquisitions of subsidiaries and joint ventures, net of cash acquired		279,468
Disposals of subsidiaries and joint vntures, net of cash sold	198,323	76,130
Equity stakes in equity-consolidated companies		
Disposals of stakes in equity-consolidated companies		
Cash flows related to changes in scope of consolidation	**198,323**	**355,598**
Acquisitions and disposals of financial investments (including unit-linked) and derivatives	−2,453,457	−5,517,733
Acquisitions and disposals of property investments	−421,679	25,287
Acquisitions and disposals of investments and derivatives from non-insurance activities		
Cash flows related to disposals and acquisitions of investments	**−2,875,136**	**−5,492,446**
Acquisitions and disposals of property, plant and equipment and intangible assets	2,036	−1,578
Cash flows related to acquisitions and disposals of property, plant and equipment and intangible assets	**2,036**	**−1,578**
Net cash flows from investing activities	**−2,674,777**	**−5,138,426**
Membership fees		
Issuance of equity instruments		−903
Repayment of equity instruments		
Treasury share transactions		
Dividends paid	−1,901,035	−341,695
Amounts received on a change in ownership interest without loss of control		
Amounts paid on a change in ownership interest without loss of control		−77,198
Cash flows related to shareholders and members	121,193	−3,121
Cash flows related to transactions with shareholders and members	**−1,779,842**	**−422,917**
Cash generated by issuances of debt financing	1,486,666	2,489,549
Cash allocated to repayments of debt financing		
Interest paid on debt financing	−27,903	−24,423
Cash flows related to Group financing	**1,458,763**	**2,465,126**
Net cash flows from financing activities	**−321,079**	**2,042,209**

Cash and cash equivalents at January 1	**250,681**	**−66,685**
Net cash flows from operating activities	**3,493,666**	**3,413,583**
Net cash flows from investing activities	**−2,674,777**	**−5,138,426**
Net cash flows from financing activities	**−321,079**	**2,042,209**
Effect of exchange rate changes on cash and cash equivalents		
Cash and cash equivalents at December 31	**748,491**	**250,681**

Cash and cash equivalents include cash in hand and bank balances net of bank overdrafts.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Detailed summary of the notes

4.1 Main structural transactions and significant events of the period

A sustainably low-rate environment

The announcement in June 2019 of the continuation of the quantitative easing policy initiated by the ECB led to a further rate cut.

Beyond the unprecedented levels of interest rates observed in the second half of 2019 -with the ten-year French OAT falling into negative territory- a change of outlook and a consensus seem to be emerging on sustainably maintaining this situation.

This environment primarily affects the prospective profitability and solvency ratios of life insurance companies. In life insurance, the Group's strategy of better diversifying its policyholders' financial savings into unit-linked products, both in terms of inflows and outstandings, has been maintained in 2019. In order to limit the dilution of returns on bond portfolios, GACM has also raised the entry fee for payments into euro-denominated products, with no exceptions possible.

In this environment, the interest rate policy continues to reflect the desire to ensure a balance between adequate remuneration of contracts and the preservation of distribution capacity for future years. As a result, the rates offered for fiscal year 2019 are down approximately 0.40% to an average of just over 1.20%.

This situation also impacts the technical reserves recorded by GACM, particularly those related to longer duration risks. The fall in interest rates led to an increase in provisions, more specifically in motor insurance for bodily injury claims, and in health, protection & creditor insurance, mainly for long-term care and work disability risks. The impact on the 2019 profit (loss) of changes in technical rates is approximately €85 million before tax.

Lastly, new business rates for level premium contracts, particularly for funeral and long-term care contracts, have been adjusted accordingly.

Diversification of ACM VIE SA's equity

At the end of 2019, ACM VIE SA decided to issue a subordinated loan in the amount of €500 million, with an annual coupon of 1.817% and a maturity date of December 18, 2029. This loan was underwritten by Banque Fédérative du Crédit Mutuel (BFCM).

The company took advantage of historically low rates and spreads to diversify its capital structure. This subordinated loan qualifies as Tier 2 capital in accordance with Articles 72 and 73 of Delegated Regulation n°2015/35 of October 10, 2014 supplementing the Solvency II Directive.

Climatic events

The year 2019 was exceptional due to the succession of very diverse climatic events: hail, floods, earthquakes and above all drought. Together, these events represented an expense for GACM of €185 million (€143 million net of reinsurance), a significantly higher amount than in 2018.

The exact financial consequences of droughts are difficult to assess. The resulting losses take a long time to develop and a large proportion of these losses are only declared after the publication in the Official Journal of the ministerial decrees recognizing the state of natural disaster, which often occurs the following year.

Late declarations relating to the 2018 drought, and to a lesser extent the 2017 drought, were numerous as of June 2019 and resulted in a charge of €33.4 million net of reinsurance in the 2019 financial statements.

Disposal of the shares of Royale Marocaine d'Assurance by Groupe des Assurances du Crédit Mutuel

On October 18, 2019, Groupe des Assurances du Crédit Mutuel sold its entire stake of 22.02% of the capital of Royale Marocaine d'Assurance. The amount of the transaction is 2.15 billion Moroccan dirhams, or €198 million.

The disposal resulted in an overall capital gain of €86 million in the consolidated financial statements, leading to non-recurring income of €70 million from the Moroccan operations. The transaction was approved on December 6, 2019 by the Moroccan regulatory authority. The Moroccan Foreign Exchange Office authorized GACM to convert and repatriate the funds into euros in the first quarter of 2020.

Transfer of the insurance portfolios of the ACM VIE SA and ACM IARD SA branches in Spain

On October 17, 2019, the Autorité de contrôle prudentiel et de résolution (ACPR) gave its approval for the transfer of the insurance portfolios of the Spanish branches of ACM VIE SA and ACM IARD SA. The portfolios were transferred to AGRUPACIÓ AMCI and GACM SEGUROS GENERALES, COMPAÑIA DE SEGUROS Y REASEGUROS, SAU, respectively.

The contracts transferred mainly concern the Creditor insurance contracts taken out via COFIDIS and TARGOBANK in Spain, the motor insurance contracts distributed by TARGOBANK and AGRUPACIÓ and the MRH and Assurcarte contracts distributed by TARGOBANK in Spain.

These transfers have retroactive accounting and tax effect from January 1, 2019.

This transaction had no impact on the consolidated financial statements.

4.2 Accounting standards

4.2.1 Accounting standards and comparability

In accordance with EC regulation no. 1606/2002, the consolidated financial statements have been prepared in accordance with IAS and IFRS standards and IFRIC interpretations applicable at December 31, 2019 and as adopted by the European Union.

IFRS 16, Leases

In January 2016, the IASB published IFRS 16, Leases, which replaces IAS 17, and the related interpretations.

This new standard abandons the distinction that was previously made between finance leases and operating leases for lessees. It has the effect of recognizing in the balance sheet of the lessees a right of use of the leased asset over the term of the lease and a lease liability in respect of the obligation to pay the lease payments for all leases meeting the definition of a lease.

The treatment for lessors is similar to the previous one under IAS 17, they will continue to classify the contracts as either finance leases or operating leases.

As part of the transition on January 1, 2019, GACM implemented IFRS 16 by opting for the simplified retrospective transition method and uses the following exemption measures:

- excluding leases with a residual term of less than or equal to 12 months;
- excluding leases with an asset value of less than €5,000.

The discount rate used is the incremental borrowing rate of Banque Fédérative du Crédit Mutuel. It corresponds to the rate on January 1, 2019 for ongoing leases at that date and at the rate on the effective date for future contracts.

The leases identified by GACM mainly concern property leases. The right-of-use assets and the related liabilities have been classified as assets in the balance sheet under “Operating properties and other property, plant and equipment” and as liabilities in the balance sheet under “Other liabilities”.

The application of the simplification measure proposed by IFRS 16, which does not call into question the definition of leases under IAS 17, is reflected on January 1, 2019 through the recognition of assets - Other property, plant and equipment, and liabilities - Other debt financing, for €30 million.

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23, applicable as of January 1, 2019, specifies the accounting methods for uncertain tax positions relating to income taxes. More specifically, the provisions of IFRIC 23 require companies to determine whether there is a risk of probable tax adjustment (i.e. where the risk of occurrence is greater than 50%) on all tax positions that were taken.

If a company concludes that the risk of an adjustment is probable, it must estimate the tax cost of such an adjustment, using the method that it considers most reliable, namely that of the most probable amount or that of the mathematical expectation defined as the sum of the possible outcomes weighted by their probability of occurrence.

4.2.2 Accounting standards issued by the IASB but not yet effective

IFRS 9, Financial Instruments

The IASB issued the complete and final version of IFRS 9, Financial Instruments, in July 2014, which will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 defines new principles for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

<u>Classification and measurement</u>

IFRS 9 introduces a single approach to the classification and measurement of financial assets to determine whether a financial asset should be recognized at amortized cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the model is based on the analysis of two criteria:

- the terms of the contractual cash flows from the financial asset;
- the economic model of the entity used to manage the financial assets.

Equity instruments are always measured at fair value through profit or loss except for those that are not held for trading, for which the entity may decide to recognize changes in fair value through other comprehensive income.

For financial liabilities, IFRS 9 essentially reproduces the current requirements of IAS 39 and does not change the accounting treatment of financial liabilities.

Impairment

The standard also introduces a new impairment model for financial assets that requires the recognition of expected credit losses rather than actual credit losses as required by the current impairment model.

The new model distinguishes three phases: initially, the entity recognizes expected credit losses for the next twelve months (phase 1). In the event of a significant deterioration in credit quality, expected losses at maturity must be recognized (phase 2). The transition to phase 3 is triggered by the occurrence of a default event, expected losses at maturity continue to be provisioned, but in addition the basis for calculating interest income is reduced: the effective interest rate is applied to the amount of the instrument after impairment.

Hedge accounting

IFRS 9 proposes new principles for hedge accounting that align the accounting treatment with risk management activities. GACM does not hold any hedging instruments eligible for hedge accounting.

Application of IFRS 9 deferred to January 1, 2022 (amendment to IFRS 4)

In September 2016, the IASB published amendments to IFRS 4, Insurance contracts giving insurers the option to defer the application of IFRS 9 so that it coincides with that of IFRS 17, insurance contracts, whose application is planned on January 1, 2022.
For the publication of its consolidated financial statements under IFRS from the fiscal year 2018 and until 2021, GACM opted to postpone the application of IFRS 9 which will therefore apply from fiscal year 2022.

The eligibility criterion for deferred application of the standard and relating to the predominant nature of the insurance business line was met.

Estimated impacts of the implementation of IFRS 9 for GACM.

The terms of application of IFRS 9 and its impact on GACM's consolidated financial statements are currently being studied. The impact of the standard will also depend on the implementation options for IFRS 17.

IFRS 17 Insurance contracts

IFRS 17, Insurance contracts, published by the IASB on May 18, 2017, will replace IFRS 4, Insurance contracts, on January 1, 2022 if adopted by the European Union.

The standard sets out the principles of recognition, valuation, presentation and disclosure to be provided for insurance contracts. The new standard applies to insurance contracts issued, all reinsurance treaties and investment contracts with a discretionary profit-sharing feature.

The standard defines the level of contract aggregation to be used to measure insurance contract liabilities and profitability. The first step is to identify portfolios of insurance portfolios (those subject to similar risks and managed together).

Each portfolio is then divided into three groups:

- loss-making contracts as from their initial recognition;
- contracts which, at the time of their initial recognition, have no significant possibility of becoming loss-making;
- and other contracts in the portfolio.

According to IFRS 17, contracts are valued on the basis of a current value valuation model where the general model is based on a so-called building block valuation approach including:

- estimates of future cash flows weighted by their probability of occurrence, as well as an adjustment to reflect the time value of money (by discounting these future cash flows) and the financial risks associated with future cash flows;
- an adjustment for non-financial risk;
- the contractual service margin.

This contractual service margin represents the represents the unearned profit for a group of insurance contracts. It will be recognized by the entity as it provides services under the insurance contracts. This margin cannot be negative; any negative cash flow at the beginning of the contract is recognized immediately in the income statement.

The standard must be applied retrospectively unless this is impracticable, in which case two options are available:

- modified retrospective approach: on the basis of reasonable and justified information available without undue cost or effort for the entity, certain modifications may be applied, insofar as a complete retrospective application is not possible with the objective to achieve the result that is as close as possible to that of the retrospective application;

- the fair value approach: the contractual service margin is then determined as the positive difference between the fair value established in accordance with IFRS 13 and the fulfilment cash flows (any negative difference being recognized as a reduction in equity at the transition date).

The "Insurance Europe" federation asked EFRAG to postpone the effective date until January 1, 2023, considering that a new postponement would be necessary given the complexity to implement the standard and the profound upheavals that it will generate for insurance companies.

The terms of application of IFRS 17 and its potential impact on the consolidated financial statements of GACM are currently being studied.

Amendments to IFRS 17

The application date initially planned for 2021 should be postponed to 2022, via an amendment on which a consultation was launched at the end of June 2019. It is expected that the application of IFRS 9 for insurance entities that have opted for deferral (in the case of GACM) will also be postponed to the same date.

The amendment also concerns (in particular) the following subjects:

- the recovery of acquisition costs beyond the renewal date of the contracts;
- the rate of amortization in profit (loss) of the contractual service margin for contracts including investment-related services;
- the recovery of losses on underlying insurance contracts for reinsurance contracts held;
- the presentation of insurance assets and liabilities in the balance sheet according to the contract "portfolio".

The publication of the final IASB amendments is scheduled for mid-2020.

Lastly, the postponement of the first application of IFRS 17 could be extended by one year (i.e. January 1, 2023), given the lobbying actions led by stakeholders and the process to adopt this standard at European level.

4.2.3 Presentation format of the financial statements

In the absence of a model imposed by IFRS, GACM presents its financial statements in accordance with the recommendations of ANC recommendation no. 2013-05 of November 7, 2013.

This format shows the following characteristics:

- income from investment contracts without discretionary profit-sharing, which are covered by IAS 39, is classified under "Revenues or income from other activities"; for these contracts, deposit accounting means that revenues and services are not recognized as income and expenses for the year respectively;
- assets and liabilities are classified on the balance sheet in increasing order of liquidity. This presentation is a more accurate representation of the business of insurance companies than the classification between current and non-current items also pursuant to IAS 1;
- expenses in the income statement are classified by function. This presentation, authorized by IAS 1, is used by the large majority of insurance companies.

4.3 Accounting policies and principles

4.3.1 Estimates and judgments used

The IFRS financial statements reflect estimates and assumptions that impact the reported amounts of assets and liabilities, income and expenses.

The main balance sheet items concerned are:

- goodwill, in particular as part of impairment tests;
- the values of acquired portfolios;
- assets at fair value not quoted in an active market;
- impairment of equity instruments classified as available-for-sale;
- impairment of debt instruments classified as available-for-sale or held-to-maturity;
- the deferred profit sharing asset, as part of the recoverability tests;
- deferred tax assets;
- provisions for contingencies and expenses;
- technical provisions.

Estimates and underlying assumptions are used to determine the carrying amounts of assets and liabilities that cannot be obtained directly, for example by reference to a market price.

They are reviewed at each reporting date.

The impact of changes in accounting estimates is recognized in income for the year.

Accounting policies are applied consistently throughout the Group.

Any change in accounting method applied during the year therefore impacts the opening balance sheet of the year as well as the profit (loss) of the previous year.

The accounting methods used apply uniformly to the consolidated earnings for the fiscal years 2019 and 2018.

4.3.2 Segment information

Segment information, based on a breakdown by entity, is presented through the following operating segments:

- Life France;
- Non-Life France;
- International which combines all businesses of GACM's foreign subsidiaries;
- Other businesses, which include the activities of the holding company, property companies and brokerage and service companies.

4.3.3 Intangible assets

Goodwill

Business combinations are accounted for in accordance with IFRS 3 (revised), in particular by applying the acquisition method.

Goodwill represents the difference between the acquisition cost for the acquirer and the fair value of the identifiable assets and liabilities.

Positive goodwill is recorded under intangible assets. When negative, it is recognized directly in the income statement.

Goodwill carried in the balance sheet is not amortized, but is tested for impairment as soon as there is objective evidence of impairment and at least once a year in accordance with IAS 36.

For the purposes of this test, goodwill is allocated to the various cash-generating units (CGUs) that are expected to benefit from the business combination related to the acquisition.

A CGU is defined as the smallest identifiable group of assets and liabilities that operates under an independent business model.

GACM has adopted the entity approach, i.e. each Group company represents a CGU in its own right.

In order to determine whether an impairment should be recognized, the carrying amount of each entity, including the goodwill allocated to it, is compared with its recoverable amount.

The recoverable amount is defined as the higher of market value and value in use. Value in use is calculated as the present value of the estimated future cash flows to be generated by the CGU, according to the medium-term plans established for the purpose of managing the GACM group.

When the recoverable amount is less than the carrying amount, the goodwill associated with the entity is irreversibly impaired.

GACM has performed sensitivity tests.

Value of the contract portfolio

Portfolios of insurance contracts acquired in a business combination or portfolio transfer are stated at fair value.

The fair value corresponds to the estimated present value of future profits to be generated by the contract portfolio existing at the date of acquisition.

The value of each portfolio is calculated per homogeneous set of contracts.

In the event that the portfolio value is negative, the technical provisions must be topped up by the deficiencies identified during this valuation.

Contract portfolio values are amortized as economic benefits are consumed.

4.3.4 Property, plant and equipment

Operating and investment property

Operating property comprises buildings used for the Group's own purposes.

Investment property includes rental properties and shares in unlisted property companies.

The Group's buildings are carried at amortized cost, in accordance with the component-based asset accounting method described in IAS 16.

Depreciation of property, plant and equipment

Non-current assets are depreciated on the basis of their estimated useful lives.

Depreciation of the asset is supplemented by an impairment loss if its recoverable amount is less than its net carrying amount (including for rights of use – IFRS 16). The recoverable value, calculated when the building shows signs of impairment, is the lower of its fair value and its value in use.

For buildings, the fair value corresponds to the appraisal value, established at least every five years and updated annually by an independent expert approved by the ACPR. This value is disclosed in the notes to the financial statements.

4.3.5 Financial instruments

Financial assets and liabilities are recognized in the financial statements in accordance with the provisions of IAS 39, as adopted by the European Union.

On initial recognition, they are measured at fair value.

At each reporting date, after initial recognition, they are measured according to their classification either at fair value or at amortized cost using the effective interest rate method:

- the effective interest rate is the rate that exactly discounts estimated future cash outflows or inflows through the expected life of the financial instrument or a shorter period, as appropriate, to produce the net carrying amount of the financial asset or liability;
- IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm's length transaction between market participants in the principal or most advantageous market at the valuation date.

The principles of the standard are detailed in Note 4.3.6 - Determination of the fair value of financial instruments.

Financial investments

Securities are classified according to the four categories of financial assets defined by IAS 39 and according to the Group's management intention:

- financial assets at fair value through profit or loss by type or as an option;
- held-to-maturity financial assets;
- available-for-sale financial assets;
- loans and receivables.

<u>Financial assets at fair value through profit or loss by type or as an option</u>

Under IAS 39, securities may be classified as at fair value through profit or loss by their type or following an option taken by the Group.

Securities are classified as at fair value through profit or loss by type when they have been acquired by the Group with the intention of carrying out short-term transactions. This classification is also used for securities included in a portfolio of financial instruments managed overall for the purpose of making a short-term profit.

All of GACM's derivative instruments are financial assets at fair value through profit or loss, as the Group does not use cash flow hedging instruments.

The recognition of financial assets at fair value through profit or loss as an option may be used in the following situations defined in the standard:

- for hybrid instruments with one or more embedded derivatives;
- with a view to reducing the distortion of accounting treatment;
- for groups of managed financial assets or liabilities whose performance is measured using the fair value method.

The Group has chosen this option for assets representing contracts whose investment risk is borne by policyholders (unit-linked contracts), in line with the treatment applied to liabilities.

The change in liabilities relating to these contracts reflects the change in fair value of the corresponding assets and is recorded in the income statement.

Securities classified as financial assets at fair value through profit or loss are initially recognized at their fair value.

For later reporting dates, changes in fair value are recognized through profit or loss.

This category of securities is not subject to impairment.

Held-to-maturity financial assets

This category applies to securities that GACM has the intention and ability to hold until repayment or maturity.

Securities classified as held-to-maturity financial assets may not be sold or transferred prior to maturity, except in accordance with IAS 39. Failure to comply with this requirement may result in the downgrading of the entire portfolio and a two-year ban on the classification of any security in this category.

GACM recognizes these securities at their acquisition price, including transaction costs directly attributable to the acquisition and accrued interest.

They are subsequently revalued at amortized cost with amortization of the premium / discount and transaction costs using the effective interest rate method.

Impairment conditions for held-to-maturity securities are discussed in the chapter on impairment of financial investments.

Loans and receivables

GACM records fixed income or determinable financial assets that are not quoted in an active market in the loans and receivables category.

They are initially recognized at cost, including directly attributable transaction costs and accrued interest.

They are subsequently revalued at amortized cost with amortization of the premium / discount and transaction costs using the effective interest rate method.

This category of securities may be impaired under the conditions described in the specific chapter on the impairment of securities.

Available-for-sale financial assets

Financial assets may be classified as available-for-sale either because they have been designated as such by the Group or because they are not eligible for inclusion in other categories of financial assets.

As with other categories of securities, available-for-sale securities are initially recorded at fair value including accrued interest.

Subsequently, changes in their fair value, excluding accrued interest, are recorded as gains and losses recognized directly in equity.

On disposal, unrealized gains or losses are realized and consequently transferred (recycled) to income.

Amortization of any premiums/discounts on fixed-income securities is recognized in the income statement using the effective interest rate method.

Accrued interest is recorded as finance income in the income statement and is presented on the same line as the fair value securities to which it relates.

This category of securities is subject to impairment under the conditions described in the specific chapter on the impairment of securities.

Impairment of financial investments

All securities are subject to impairment, with the exception of those classified at fair value through profit or loss.

An impairment must be recognized when there is objective evidence of impairment resulting from one or more events occurring after the acquisition of the securities.

For debt securities, it corresponds to a significant deterioration in credit risk. Credit risk, or counterparty risk, is the risk of loss or non-recovery of a receivable.

The impairment criterion is mainly based on counterparty risk. A loss due to rising interest rates is not a criterion for recognition of an impairment loss.

Impairments recognized on debt instruments classified as "Available-for-sale financial assets" are reversible. Impairment losses previously recognized in the income statement are reversed through the income statement when justified by the circumstances.

Equity instruments classified as available-for-sale are impaired when the unrealized loss is deemed to be material or sustainable.

The quantitative criteria used are the following:

- the security has had an unrealized loss for at least 36 months;

  or

- the security has an unrealized loss of 50% or greater on the reporting date;

  or

- the security was impaired on the closing date of the previous fiscal year.

For securities already impaired at the previous reporting date, the cost to be considered for calculating the impairment for the period under review is the acquisition price; thus, any further fall in the share price below the carrying amount impaired at the previous reporting date will impact the impairment at the first euro.

In addition, in accordance with IAS 39, a permanent impairment is never reversed and only disappears when the security line is sold.

<u>Securities sold and received under repurchase agreements</u>

Repurchase transactions do not meet the derecognition requirements of IAS 39 and are considered as secured financing.

Securities under repurchase agreements are maintained on the assets side of the balance sheet and, where applicable, the amount collected, representing the debt to the transferee, is recorded as a liability on the balance sheet by the seller.

Securities borrowed or received under repurchase agreements are not recorded in the balance sheet of the transferee. However, in the event of a subsequent resale, the latter records as a liability the amount representing its debt to the seller.

GACM remains exposed to changes in the fair value of the securities loaned or repurchased and is subject to virtually no counterparty risk, given the margin calls made to guarantee the value of the securities sold.

Hedge accounting

IAS 39 provides for three types of hedges with specific accounting treatment:

- fair value hedging, which is designed to neutralize changes in the value of the underlying by a change in the opposite direction of the hedging derivative. The change in value of the derivative then has a symmetrical impact on the profit (loss) ;
- cash flow hedges, designed to offset the variability of future cash flows of an asset or liability. Changes in the value of the derivative are recorded in equity under "other comprehensive income" for the effective portion of the hedge, and recognized in the income statement when the flows of the hedged instrument impact cash. The ineffective portion of the hedge passes through profit or loss;
- the hedging of a net investment in a foreign operation, intended to neutralize foreign exchange risk. The change in value of the derivative has an impact on the effective portion of the translation differences.

Hedge accounting requires precise documentation of the effectiveness of the hedge from the inception of the relationship and at each subsequent reporting date.

The GACM life insurance companies hedge the risk of a rise in interest rates on their portfolios in the form of savings contracts, through interest rate hedging contracts such as caps or swaptions.

These hedges are not eligible for hedge accounting pursuant to IAS 39.

Financial liabilities

An equity instrument is defined by IAS 32 as a contract that offers discretionary remuneration and gives rise to a residual interest in the net assets of the company invested in.

The classification as an equity or debt instrument, particularly with regard to the classification of perpetual subordinated debt (TSDIs), is based on an analysis of the various contractual clauses.

Securities where there is no contractual obligation to repay the principal amount are classified as equity.

An instrument with a contractual obligation to deliver cash or another financial asset, or to exchange instruments under potentially unfavorable conditions, is classified as a debt instrument by IAS 39.

GACM has not historically issued any "hybrid" instruments such as deeply subordinated notes (SSS) or redeemable subordinated notes (RSN) that would qualify for classification as equity.

4.3.6 Fair value determination of financial instruments

Counterparty risk on derivatives

Given that the over-the-counter derivatives in the portfolio are subject to weekly margin calls, the counterparty default risk is not taken into account in the valuation of the derivative.

In the event of default by the counterparty, the amounts due are charged to the financial debt represented by margin calls.

Fair value hierarchy

IFRS 13 classifies fair values according to three levels depending on the observability of the input data used in the valuation:

<u>Level 1</u>

Financial instruments classified as Level 1 fair value are quoted in active markets.

A market is considered active if quotes are readily and regularly available from an exchange, broker, dealer, pricing service or regulatory agency. In addition, these prices must represent actual transactions that occur regularly in the market under normal competitive conditions.

In the majority of cases, GACM uses the market price for assets and liabilities identical to those held at the valuation date.

<u>Level 2</u>

Assets reported at fair value in Level 2 have been measured using either directly observable inputs (such as prices) or indirectly observable inputs that are not entity-specific and are publicly available.

The valuation of these assets is based on standard models using observable parameters.

GACM classifies in level 2 its unlisted equity investments valued at net asset value and its buildings for which an appraised value is used.

<u>Level 3</u>

The valuation of assets classified in level 3 is based on valuation techniques using unobservable parameters.

GACM classifies in level 3 mainly unlisted equity and subordinated securities whose valuation is based on entity-specific factors.

The methodologies and models for valuing financial instruments classified in level 2 and level 3 include all the factors that market participants use to calculate a price. The determination of the fair values of these instruments takes into account liquidity risk and counterparty risk.

4.3.7 Investment income net of expenses

This income statement item includes all income and expenses relating to insurance company investments. It is detailed hereafter.

Investment income

This item records:

- dividends from shares and other variable income securities, regardless of their IAS 39 category;
- interest received and accrued on fixed income securities (available-for-sale and held-to-maturity) and loans and receivables;
- other investment income, including commissions on financial services, rental income from investment properties and foreign exchange gains;
- dividends from associates;
- amortization of the premium of depreciable assets.

Investment expenses

This item records:

- interest expense on securities sold under repurchase agreements;
- investment management costs, whether directly attributable (commissions on financial services) or by function;
- amoritization of discounts on depreciable assets;
- other investment expenses (foreign exchange losses);
- expenses and interest related to the issue of debt instruments.

Gains and losses from sale of investments

This item records net gains or losses on the disposal of held-to-maturity securities, available-for-sale securities, loans and receivables and property assets.

In accordance with ANC recommendation no. 2013-05, this item also includes reversals of provisions on available-for-sale securities.

Change in fair value of investments recognized at fair value through profit or loss

This item includes the following income statement items:

- positive and negative value adjustments (unrealized gains and losses) on assets backing unit-linked contracts;
- other changes in fair value of financial assets or liabilities at fair value through profit or loss;
- the gains and losses on sale realized on financial assets at fair value through profit or loss.

Changes in investments impairments

This item includes allowances for and reversals of provisions for impairment of held-to-maturity securities, loans and receivables and property assets. With regard to available-for-sale securities, only allowances are recognized as recommended by the ANC in its recommendation no. 2013-05.

4.3.8 Insurance contracts

Contract categories

Insurance contracts

An insurance contract is a contract that states that the insurer accepts a significant insurance risk by agreeing to indemnify the insured, or another beneficiary, if a specified uncertain future event adversely affects the policyholder or another beneficiary.

An insurance risk is a risk other than a financial risk.

For each homogeneous portfolio of contracts, the significance of the insurance risk is analyzed.

Investment contracts with a discretionary profit-sharing clause

Contracts that do not expose the insurer to insurance risk or expose it to insignificant insurance risk are classified as financial contracts or investment contracts.

They are qualified as financial contracts with discretionary profit-sharing when the contract holder is entitled to receive, in addition to the minimum guaranteed rate, an additional remuneration based on the performance of a portfolio of assets backing the contracts, the amount and rate of distribution of which is at the insurer's discretion.

Investment contracts without discretionary profit-sharing

Financial contracts without profit-sharing clauses are subject to IAS 39 and are accounted for on a deposit basis.

Unit-linked contracts

Unit-linked contracts are recognized according to IFRS 4 when they offer:

- either an investment in euros;
- or a floor guarantee in case of death constituting a material insurance risk for the insurer.

Unit-linked contracts are valued on the liabilities side of the balance sheet in accordance with the value of the investments on the assets side. As a result, the insurer's results are not significantly impacted by changes in the prices of the underlying assets.

On the basis of these criteria, GACM has identified an insignificant number (in terms of value and number) of contracts in euros or unit-linked contracts which, in principle, fall within the scope of IAS 39:

- the unit-linked portion of these contracts is presented under "Technical liabilities relating to unit-linked insurance contracts";
- the euro-denominated portion of these contracts is presented under "Liabilities arising from investment contracts with discretionary participating features".

As part of the review of the classification of contracts according to the criteria defined by IFRS 4, GACM noted in 2019 that some had to be reclassified in order to comply with the presentation required by the ANC recommendation no. 2013-05 of November 7, 2013. This error correction has no impact on the profit (loss). It leads to the reclassification of technical provisions, the impact of which on the opening balance sheet is presented below:

(in thousands of euros)	2018		
	Post financial statements reclassifications (IAS 8.42 and IAS 8.49)	Financial statements published	Impact presentation
Technical liabilities related to insurance contracts	8,302,417	4,044,653	4,257,764
Liabilities arising from insurance contracts where the financial risk is borne by Policyholders	12,129,190	0	12,129,190
Technical liabilities related to insurance contracts	**20,431,607**	**4,044,653**	**16,386,954**
Technical liabilities related to financial contracts with discretionary profit-sharing	81,765,075	86,022,839	−4,257,764
Technical liabilities related to financial contracts without discretionary profit-sharing	0	0	0
Liabilities related to unit-linked financial contracts	0	12,129,190	−12,129,190
Technical liabilities related to financial contracts	**81,765,075**	**98,152,029**	**−16,386,954**
Separate derivatives on contracts	11,478	11,478	0
Deferred profit-sharing liabilities	7,128,535	7,128,535	0
LIABILITIES RELATING TO CONTRACTS	**109,336,695**	**109,336,695**	**0**

Contract recognition

Total liabilities arising from insurance contracts and Total liabilities arising from investment contracts with discretionary profit-sharing features

IFRS 4 provides that life and non-life technical provisions retained under local consolidation standards are maintained in the IFRS consolidated financial statements, subject to their homogeneity.

The liability adequacy test is conducted in order to identify any shortfall in provisions.

Non-life insurance

The unearned premium reserve recognizes the portion of written premiums and premiums remaining to be written relating to the period after the inventory date; it is calculated pro rata temporis on a contract by contract basis.

Reserves for claims payable relating to claims incurred, reported or not yet known, are net of estimated recoveries; they include a charge for management expenses determined annually by line of business, on a company-by-company basis, on the basis of observed analytical costs.

Equalization provisions are restated in full under IFRS, including those intended to address risks and future events characterized by "low frequency" and "high unit cost".

Equalization reserves that are likely to be reintegrated into underwriting income, paid to the policyholder or transferred in the event of a portfolio transfer, are reclassified as a provision for deferred profit sharing, with recognition of a deferred tax asset in the event that they have not been deducted for tax purposes in the separate financial statements.

Equalization provisions for group contracts with creditors are cancelled through the income statement and a deferred tax liability is recorded for the portion deducted for tax purposes in the separate financial statements.

The provision for increasing risks set up on health and disability risks, is intended to compensate for the increase in morbidity linked to the age of the policyholders who pay a level premium. Provisions for increasing risks recorded in the separate financial statements of consolidated companies are not restated in the consolidated financial statements.

The provision for outstanding risks is intended to cover, for the period after the inventory, claims and expenses relating to contracts that are not covered by the provision for unearned premiums; it is calculated per regulatory risk category.

Additional information

As part of the “third-party payment system for the SESAM-Vitale card” and the electronic flows put in place, the payment and accounting of rights relating to certain benefits in kind related to illness, are made, in accordance with the legal and regulatory texts, in particular Articles L.161-33 and R.161-43 of the Code de la sécurité sociale (French Social Security Code), on a declarative basis, without express recognition by the insured of the reality of the service received.

Life insurance

Mathematical reserves

Since 2014, GACM has applied the so-called preferential method of CRC Regulation No. 2000-05 for the calculation of life insurance provisions.

Provisions are calculated on the basis of discount rates that are no more than the conservatively estimated rates of return on the assets allocated to cover the liabilities.

In this context, mathematical reserves in the separate financial statements that meet the criteria defined by the preferential method are maintained in the consolidated financial statements.

The overall management provisions in the separate financial statements to cover a shortfall in future management fees in relation to contract administration costs, are maintained in the consolidated financial statements.

Equalization provisions in the separate financial statements to cover fluctuations in claims experience on group insurance operations covering the risk of death, are restated as a provision for profit-sharing, with the recognition of a deferred tax in the event that they are not deductible in the separate financial statements.

Changes in equalization provisions for group contracts with creditors are cancelled through the income statement and a deferred tax liability is recorded for the portion deducted for tax purposes in the separate financial statements.

In the case of creditor insurance contracts, a deferred profit-sharing liability has been recognized since 2015 based on the now highly probable payouts of the regulatory minimum profit-sharing on subsequent reversals associated with tax maturities.

The corresponding amounts are discounted at the conservatively estimated rate of return on the assets allocated to represent the commitments; a deferred tax asset is recognized.

Profit-sharing for policyholders

Profit-sharing due, as defined by CRC Regulation 2000-05, and recorded in the individual financial statements, are maintained in the consolidated financial statements.

Unconditional or contingent deferral profit-sharing is treated in accordance with the above regulations. Contingent deferred profit-sharing is only recognized in the consolidated financial statements when it is highly probable that the event giving rise to the deferred profit-sharing will occur or that the company concerned will make a management decision.

Unless otherwise indicated in the notes to the financial statements, deferred profit-sharing is not discounted due to the uncertainty of the timing of the cash flows.

This provision is supplemented, where appropriate, by the deferred profit sharing resulting from the application of the shadow accounting principle.

Provision for deferred profit sharing liability associated with the restatement of the capitalization reserve

CRC Regulation no. 2000-05 states that movements in the capitalization reserve in the separate financial statements are restated in the consolidated financial statements. For profit-sharing contracts, the rights of the policyholders associated with the restatement of the capitalization reserve are recognized by a provision for deferred profit-sharing liabilities, known as "contingent", in the following two cases:

- if disposals of bonds with capital losses have already been decided at the closing date of the consolidated financial statements;
- or in the event of a "strong probability of realization" of capital losses on the sale of bonds.

In application of the method defined in CRC Regulation no. 2000-05, the entire capitalization reserve for profit-sharing contracts would be maintained in consolidated equity, without convincing proof of the "strong probability of realizing bond losses in the foreseeable future”.

Under IFRS, and in accordance with § 21 of IFRS 4 on changes in accounting policies, it is possible to apply a different method from the one applied under local standards (CRC regulation no. 2000-05), if this change makes the financial statements more relevant and not less reliable, or makes them more reliable and not less relevant.

This method consists of allocating a deferred participation liability in the amount of future bond losses, which will be offset in the separate financial statements by symmetrical reversals of the capitalization reserve, to which the average profit-sharing rate of the portfolio at the closing date is applied.

A deferred tax asset is recognized in respect of this provision for profit sharing, which creates a temporary difference given its deductible nature.

Under this method, the capitalization reserve for profit-sharing contracts, which is maintained in IFRS consolidated equity, is limited to the shareholder's portion of the profit-sharing clauses in the contracts.

The method used is conservative insofar as future losses not anticipated at the reporting date will be offset by a reversal of deferred profit-sharing liabilities, with a net impact on the IFRS income statement being limited to the portion due to the shareholder in these bond losses with regard to the clauses defined in the contracts.

From the perspective of potential future capital losses, reading the performance of profit-sharing contracts is therefore more relevant and justifies the use of this method.

Application of shadow accounting and deferred profit-sharing

Insurance or investment contracts with discretionary profit sharing are subject to shadow accounting in accordance with IFRS 4.

This shadow accounting consists of recording the portion of positive or negative revaluations of the financial assets backing these contracts in a deferred profit sharing item.

This deferred profit-sharing is recognized as a liability (technical liabilities of the contracts) or as an asset, with a corresponding entry in the income statement or in the "Revaluation reserve", in the same way as the unrealized gains and losses on the assets on which it is based.

The deferred profit-sharing rate is calculated with reference to the average profit-sharing rate of the contracts; it is updated at each closing.

In the specific case of a net unrealized loss on investments carried at realizable value, a deferred profit-sharing asset is recorded only if it is highly probable that it will be offset against future profit-sharing.

The recoverability tests applied in the case of deferred profit-sharing assets are in accordance with the CNC recommendation of December 19, 2008.

At the end of 2019, deferred profit-sharing was passive, in a context of very low interest rates and correspondingly high levels of unrealized capital gains on investments backing contracts with profit-sharing clauses.

Liability adequacy tests

In accordance with IFRS 4, the Group ensures at each reporting date that the technical provisions of insurance contracts and financial contracts with discretionary participation are sufficient with regard to the estimated future cash flows of the contracts.

Technical provisions for financial contracts with discretionary profit-sharing

The test relates to the mathematical reserves for life insurance contracts, grouped by product families with similar characteristics.

The scope of the flows used for the test includes all future contractual cash flows, including management fees, commissions paid and options and guarantees implicit in these contracts.

The stochastic approach is used for modeling in order to capture the cost of contract options and guarantees.

The model used is close to that applied to the Solvency II framework for the calculation of best estimate provisions.

The technical provisions to which the discounted future flows are compared are:

- Mathematical reserves;
- provisions for surplus profit-sharing;
- overall management provisions;
- deferred profit sharing liabilities on unrealized gains on assets classified as available-for-sale and at fair value as an option;
- the theoretical profit sharing associated with unrealized gains on securities held to maturity if they were recorded at realizable value;
- the deferred profit sharing liability on the restatement of the capitalization reserve.

If the provisions identified in this way prove to be less than the discounted amount of the future cash flows of the contracts, an additional provision is recorded by charging it to profit (loss) for the year.

At December 31, 2019, the liability adequacy test for profit-sharing contracts did not reveal any shortfall in provisions.

Technical provisions for other life insurance contracts

For all life insurance contracts other than savings, in particular in creditor insurance, the test is carried out according to the approach adopted in the context of the preferred method of CRC Regulation 2000-05. The cash flows forecast are discounted at the prudently estimated rate of return on the assets allocated represent them.

At the end of this multi-criteria analysis, no shortfall in provisions was identified.

Technical provisions for non-life insurance contracts

Provisions for unexpired risks

Under the French accounting principle applicable to insurance companies, the provision for current risks is recognized for the amount of the premium shortfall to cover the risks relating to the period after the closing date. This provision is maintained in the consolidated financial statements.

Under IFRS consolidation, maintaining the provision ensures that the risk is adequately covered and therefore satisfies the liability adequacy test.

Creditor insurance (temporary incapacity and disability coverage)

In the specific case of creditor insurance for non-life insurance companies, the adequacy of reserves is verified at each closing by comparing the reserves recorded with those calculated for Solvency II reporting purposes.

No shortfalls were noted at December 31, 2019.

<u>Recognition of revenues from insurance contracts</u>

Premiums

Earned premiums for life insurance and investment contracts with discretionary profit-sharing consist of the gross written premiums on outstanding contracts, net of cancellations, and the change in earned premiums not yet written.

Revenues from non-life insurance contracts correspond to written premiums excluding tax, gross of reinsurance, net of cancellations, the change in premiums still to be written and the change in premiums to be cancelled.

Earned premiums consist of gross written premiums adjusted for changes in unearned premium reserves.

Insurance policy servicing expenses

Expenses for life insurance contracts and investment contracts with discretionary profit-sharing include benefits that give rise to payment to the beneficiary, costs incurred in connection with the management and settlement of benefits, and changes in technical provisions.

The cost of benefits from non-life insurance includes benefits and expenses paid, net of recoveries for the year, expenses and commissions related to claims handling and settlement of benefits, and changes in technical reserves.

<u>Deferred acquisition costs and charges</u>

The calculation of deferred acquisition costs in the separate financial statements of non-life insurance companies is consistent with the method of calculating unearned written premiums for the year (calculation is *prorata temporis* on a contract-by-contract basis) and corresponds to the valuation method recommended for the preparation of the consolidated financial statements. Consequently, the costs deferred by the non-life companies are not restated in consolidation.

Consolidated life insurance companies do not report any expenses in their separate financial statements. In the consolidated financial statements, and until the end of the year, the acquisition costs and commercial charges of life insurance contracts were deferred. They had been determined retroactively since 1995. The calculation of expenses and charges was made by homogeneous sets of contracts and these were deferred over the residual life of the contracts according to the emergence of profits.

As of December 31, 2018, the deferred acquisition costs item in the balance sheet for €58 million was equal to the deductions from deferred premiums (income to be spread over several fiscal years and included in liabilities under the item “Other debt”).

Insofar as the deferred acquisition costs are identical to the deferred withdrawals, GACM has neutralized the corresponding asset and liability items and no longer recognizes deferred acquisition costs or deferred withdrawals.

Reinsurance transactions

Direct and reinsurance

Premiums, claims and reserves are recorded gross of reinsurance.

Accordingly, the share of ceded reinsurance is identified in the separate items of reinsurance income and expense.

The share of reinsurers in the technical provisions is recorded as an asset.

No reinsurance contracts within GACM are subject to IAS 39.

Accepted reinsurance

Acceptance contracts are accounted for as direct insurance contracts.

No reinsurance contract has characteristics (such as the absence of risk transfer) that would lead to its classification as a financial contract under IAS 39.

4.3.9 General operating expenses by function

IAS 1 authorizes general operating expenses to be presented by function. This is also the presentation recommended in insurance by ANC recommendation no. 2013-05 of November 7, 2016.

Thus, expenses by type are allocated or broken down by function: acquisition expenses, administration expenses, claims management expenses, investment management expenses, other technical expenses and non-technical expenses.

4.3.10 Other provisions

In accordance with IAS 37, GACM identifies obligations (legal or implicit) arising from a past event for which it is probable that an outflow of resources will be required to settle the obligation, the timing or amount of which is uncertain but which can be reliably estimated.

The provisions concern in particular:

- legal disputes;
- operational risks;
- employee benefits.

In addition, as of December 31, 2019, GACM has not identified any contingent liabilities.

4.3.11 Social commitments

Defined benefit post-employment benefits

These are pension, pre-retirement and supplementary pension plans in which the Group retains a formal or implicit obligation to provide the benefits promised to employees.

Commitments are calculated, in accordance with IAS 19, using the projected unit credit method, which consists of allocating entitlements to periods of service in accordance with the contractual formula for calculating benefits under the plan, and then discounted from demographic and financial assumptions such as:

- the discount rate, determined by reference to the long-term rate of highly-rated corporate loans at the end of the fiscal year;
- the rate of salary increase, assessed according to age brackets, managerial / non-managerial categories and regional characteristics;
- inflation rates;
- employee mobility rates, determined by age group, on the basis of the average ratio over three years of the number of resignations to the number of employees on permanent contracts at the closing of the fiscal year;
- retirement age: the estimate is established for each individual on the basis of the actual or estimated date of entry into working life and assumptions related to the law on pension reform, with a maximum ceiling of 67 years;
- mortality according to the INSEE TF 00-02 table.

Differences arising from changes in these assumptions, and from differences between previous assumptions and actual experience, constitute actuarial gains and losses. When the plan has assets, these are measured at fair value and impact the profit (loss) for their expected return. The difference between the actual return and the expected return is also an actuarial gain and loss.

Other defined benefit post-employment benefits

End-of-career benefits and supplementary pension benefits, including special plans, are provisioned. They are valued on the basis of acquired rights for all current employees, based in particular on the employee turnover rate specific to the consolidated entities, and the estimated future salary that the beneficiary will have at the time of his or her retirement increased, where applicable, by social security charges.

4.3.12 Defined contribution post-employment benefits

The employees of GIE ACM, and more generally the employees of Crédit Mutuel Alliance Fédérale, benefit from supplementary pension cover provided by ACM VIE SA in addition to the compulsory pension plans.

GACM currently manages, through ACM VIE SA, three L441-type funded pension plans for the Group's employees - defined contribution plans - in reference to the articles of the Code des assurances (French Insurance Code) that define them.

They aim to guarantee a retirement pension expressed as annuities:

- by maintaining a link between the revaluation of contributions and that of acquired rights;
- and secondly, by establishing a legal wall around managed assets and members' rights.

Payments are converted directly into points according to the acquisition value (VA) of the point, and, at retirement age, the points are liquidated in the form of a life annuity by reference to the service value (VS) of the point.

The technical provision for these cantons is the special technical provision (STP).

The STP is defined as the reserve from which benefits are paid and to which the contributions paid, net of charges, are allocated as well as the finance income of the plan net of management charges.

In addition, GACM calculates each year in its consolidated financial statements the theoretical mathematical reserves (TPBR) that will be required to ensure the payment of immediate and deferred life annuities based on the service value at the inventory date. This TPBR is calculated according to the rules defined by the regulatory reform that emerged in 2017 (Order 2017-484 of April 6, 2017 and Decree 2017-1172 of July 18, 2017). The TPBR is thus calculated for each member on the basis:

- of a yield curve provided by EIOPA on the reporting date;
- of the tables by generation and gender TH-05 and TF-O5 approved by the order of August 1, 2006.

As the TPBR is less than the sum of the STP and the unrealized capital gains of the three plans, the STP is maintained as a liability in the consolidated statement of financial position.

4.3.13 Taxes

In accordance with IAS 12, income tax includes all taxes on income, whether current or deferred.

It defines current tax as "the amount of income taxes payable (recoverable) in respect of taxable income (tax loss) for a year". Taxable earnings are the profit (or loss) of a fiscal year determined according to the rules established by the tax authorities.

The rates and rules applicable to determine the income tax expense payable are those in force in each country in which GACM subsidiaries are located.

Current tax refers to any income tax due or receivable, the payment of which is not contingent on the occurrence of future transactions, even if the payment is spread over several years.

Current tax, until it is paid, must be recognized as a liability. If the amount already paid for the current and prior years exceeds the amount due for those years, the excess should be recognized as an asset.

In addition, certain transactions carried out by the entity may have tax consequences that are not taken into account in determining the tax liability. Differences between the carrying amount of an asset or liability and its tax base are referred to as temporary differences under IAS 12.

The standard requires the recognition of deferred taxes in the following cases:

- a deferred tax liability must be recognized for all taxable temporary differences between the carrying amount of an asset or liability and its tax base;
- a deferred tax asset must be recognized for all deductible temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base, to the extent that it is probable that a taxable profit, on to which these deductible temporary differences can be allocated will be available;
- a deferred tax asset must also be recognized for the carryforward of tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available on which these tax losses and tax credits will be charged.

The tax rates used are those applicable in each country.

Concerning France, a degressive rate of corporate income tax applies. Thus, the corporate tax rate, set at 34.43% (including social contribution) for the fiscal year 2019, will gradually decrease each year to reach the floor of 25.83% (including social security contribution) by 2022.

In this context of a planned reduction in the corporate tax rate, GACM wanted to reflect the effects of this reduction in its consolidated financial statements according to a pragmatic approach consisting of adopting the settlement date of each restatement, i.e. in the short term if the nature of the restatement justifies it, or in the long term in the absence of factual and concrete evidence justifying a reversal in the next five years.

This is reflected in the use of two separate tax rates: 32.02% for short-term reversals and 25.83% for long-term ones.

The calculation of deferred taxes is not discounted.

Current and deferred taxes are recognized in net profit (loss) for the year except when the tax is generated:

- either by a transaction or event which is recognized directly in other comprehensive income;
- or by a business combination.

4.3.14 Foreign currency transactions

Transactions in foreign currencies are converted at the rate on the date of the transaction.

For the presentation of assets and liabilities denominated in foreign currencies, IAS 21 distinguishes between monetary and non-monetary items.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into euros at the closing rate. Foreign exchange differences resulting from this conversion are recognized in the income statement, with the exception of exchange rate fluctuations on unrealized gains and losses on available-for-sale securities, which have a corresponding impact on the revaluation reserve of available-for-sale securities.

Non-monetary assets and liabilities carried at historical cost are valued at the exchange rate of the date of the transaction.

Impairment losses on assets denominated in foreign currencies are calculated on a euro basis.

4.3.15 Non-current assets held for sale and discontinued

A non-current asset (or group of assets held for sale) is classified as held for sale if its carrying amount will be recovered principally through disposal rather than through continuing use.

The asset or group of assets held for sale must be available for immediate sale in its present condition and the sale must be highly probable.

The assets and liabilities concerned are segregated in the balance sheet under "assets of operations held for sale or discontinued operations" and "liabilities of operations held for sale or discontinued operations".

These non-current assets (or groups of assets held for sale) are valued at the lower of:

- their carrying amount;
- their fair value less disposal costs.

In the event of an unrealized loss, an impairment loss is recorded in the income statement, and the assets cease to be depreciated as from their reclassification.

A discontinued operation is any component that the Group has disposed of or that is classified as held for sale and which is in one of the following situations:

- it represents a separate major business line or geographic region;
- it is part of a single, coordinated plan to divest from a separate major line of business or geographic area;
- it is a subsidiary acquired exclusively with a view to resale.

Presented on a separate line of the income statement are:

- the net profit (loss) after taxes of discontinued operations until the date of disposal;
- the gain or loss after tax on the disposal or measurement at fair value less costs to sell of assets and liabilities of discontinued operations.

4.4 Consolidation principles and methods

4.4.1 Scope of consolidation

Control

IFRS 10 defines the concept of control on the basis of the following three criteria:

- the decision-making power over the entity in question;
- whether any benefits are obtained by the group in its relationship with the entity;
- the link between decision-making power and the benefits obtained from the entity in question.

Methods to combine the financial statements of mutuals

GACM has published its consolidated financial statements under IFRS since the 2016 fiscal year. IFRS does not define how to fully consolidate non-capitalized entities controlled by the parent entity publishing the consolidated or combined financial statements.

In this regard, GACM refers to ANC Regulation No. 2016-11, which provides for the accounting terms and conditions for combined financial statements applicable to non-capitalized companies.

In particular, mutuals controlled by the entity (whether or not they are capitalized) to which they belong are fully consolidated and their equity is included in the group's equity using the aggregation approach.

GACM signed in 2016 an affiliation agreement with each of the following two mutual companies:

- ACM VIE SAM, the Group's long-standing mutual life insurance company governed by the Code des assurances;
- MTRL, a mutual health insurance company in the Lyon region, governed by the Code de la mutualité (French Mutual Code).

These agreements formalize the contractual arrangements for the strong and lasting financial relationship between the mutuals and the GACM insurance group to which they are historically attached.

4.4.2 Consolidation methods

The consolidation methods used by GACM result from the application of IFRS 10 and IAS 28.

Full consolidation

The financial statements of companies over which the Group directly or indirectly exercises control are fully consolidated.

Control is deemed to exist where the Group directly or indirectly holds more than 50% of the voting rights of the subsidiary; it is also deemed to exist where the Group directly or indirectly holds at least 40% of the voting rights, provided that no other shareholder holds more than 40% of the voting rights.

Equity-consolidated

Companies in which the Group holds between 20% and 50% of the voting rights (or 40%, as the case may be, under the conditions indicated above), and companies over which the Group exercises significant influence, are consolidated using the equity method.

4.4.3 Reporting date

The consolidated financial statements close on December 31.

The accounts and balance sheets used to prepare the consolidated financial statements are those presented for the approval of the General Meetings, except for certain companies (notably RMA SA) which publish their final financial statements after the preparation of the consolidated statement of financial position.

The differences between the financial statements used and the final financial statements will be assessed in the following fiscal year's profit (loss).

4.4.4 Intercompany transactions within the scope of consolidation

Significant transactions between fully consolidated companies have been eliminated, including:

- reciprocal receivables and payables as well as reciprocal income and expenses;
- internal reinsurance transactions, restated on the basis of the data recorded by the ceding company;
- brokerage or intermediation transactions;
- allowances to provisions for impairment of investments made by the company holding the shares and, where applicable, allowances for risks and charges made in respect of losses incurred by wholly-owned companies;
- the capital gains and losses on intra-group disposals;

- the gains and losses on mergers of consolidated companies;
- dividends received intra-group;
- the profit (loss) realized on portfolio transfers between consolidated companies;
- transactions impacting commitments received and given.

When eliminated capital gains or losses on insurance investments have created reliably identified and enforceable rights in favor of policyholders, these rights are neutralized in the income statement and in the consolidated statement of financial position by recognizing a "provision for unconditional deferred profit-sharing of policyholders".

4.4.5 Foreign currency translation of financial statements

All consolidated entities use the euro as the functional currency and as the presentation currency of their financial statements, with the exception of the insurance company ASTREE SA, whose financial statements are drawn up in Tunisian dinars, and RMA SA in dirhams. Moroccans.

The financial statements are translated into euros, the currency of the consolidating company, using the closing rate for the balance sheet and the average rate for the income statement.

Translation differences are recorded in equity under "Gains and losses recognized directly in equity".

4.5 Subsequent events

Covid 19 Pandemic

The World Health Organization declared on Wednesday, March 11, 2020, that the epidemic due to the coronavirus should now be considered as a pandemic and called on everyone to fight the disease. The various member states of the European Union have taken appropriate and unprecedented measures to slow down the progression of this pandemic in order to limit both its health and economic consequences.

In this context, the Crisis Committee of Crédit Mutuel Alliance Fédérale is taking all necessary measures, in close contact with the managers and crisis units of all entities and with public and health authorities.

Therefore, the priorities of all GACM companies fall within this framework:

- Protect all of their employees and their families, in particular by promoting remote working whenever possible - with the strengthening of remote connection equipment and infrastructures.
- Provide the necessary support to their customers and networks by ensuring business continuity and their essential missions. This proven business continuity is already a reality.

As a result, Assurances du Crédit Mutuel is committed to showing solidarity with its policyholders and has taken the following measures:

- Postponement of premium calls for all self-employed customers, professionals, companies and associations (both property & casualty and health, protection and creditor insurance) until the beginning of May 2020 at the earliest, in order to preserve the cash flow of companies most affected by the economic slowdown.
- Freeze on bank payments for professional and business customers of Crédit Mutuel Alliance Fédérale: creditor insurance premiums will not be deducted as long as loan payments are extended for up to 6 months.
- Contribution to the solidarity fund set up by the public authorities to alleviate the economic and financial consequences of this health crisis for very small businesses and the self-employed, and sectors particularly affected.

The impact of this exceptional situation on GACM's business, financial position and profit (loss) in 2020 will need time to be determined.

In the immediate term:

- This crisis led to a sharp decline in the equity markets. However, calculations of the solvency ratios established at regular intervals by the company since the beginning of this pandemic have shown that the regulatory requirements have systematically been respected.
- In addition to the impacts on the financial markets, this pandemic is likely to result in underwriting losses on certain contract portfolios, particularly for death and disability risks.

The management of the Group is particularly attentive to the evolution of the situation in order to take the appropriate measures as soon as possible.

Disposal of the NELL portfolio

The disposal of the NELL portfolio should occur in the first quarter of 2020 effective January 1, 2020. The sale of this portfolio brought by a broker channel also includes the acquisition by the buyer of all NELL employees.

The assets and liabilities related to this portfolio are presented in the financial statements, in accordance with IFRS 5, at the bottom of the balance sheet: "Assets held for sale and discontinued operations" and "Liabilities of operations held for sale or discontinued."

DESJARDINS Transaction

In 1989, GACM entered into a partnership with the Canadian insurance company Desjardins. The equity investment consisted, until January 1, 2020, in the holding of ordinary and preferred shares in the insurance subsidiaries and, to a lesser extent, in the subscription of subordinated debt issued by these subsidiaries.

On January 1, 2020, in order to streamline the structure of the Group in terms of governance and capital management, this equity investment in the subsidiaries was exchanged for an equity investment in their holding company, Desjardins Groupe d'Assurances Générales (DGAG). Following this transaction, GACM holds:

- 10% of the share capital of DGAG in ordinary shares;
- CAD 114 million of preferred shares issued by DGAG, bearing interest at 5.50% annually (versus a total of CAD 121 million bearing interest at 4.75% under the former structure);
- CAD 14 million of subordinated debt issued by DGIG bearing interest at 2.79% annually (previously CAD 13.3 million bearing interest at 3%).

In accordance with IAS 39, the impact of this restructuring has no impact on the GACM consolidated financial statements. In fact:

- the dividend distribution policy remains unchanged: all dividends paid by the operating subsidiaries to the DGAG holding company will go to its shareholders. GACM therefore benefits from the same level of dividends by being a shareholder of the holding company;
- the capital gain generated by GACM on the exchange of ordinary shares will be neutralized in the consolidated financial statements and benefit from a tax deferral.

4.6 Segment information

4.6.1 Segment balance sheet

(in thousands of euros)						12/31/2019
	Life insurance France	Non-Life Insurance France	International	Other activities France	IG eliminations	Total
Goodwill	38,467	1,206	70,734	26,402	0	136,808
Value of in-force business	5,992	0	− 1,800	0	0	4,192
Other intangible assets	− 7,913	−635	18,451	1,094	0	10,997
Intangible assets	**36,546**	**571**	**87,385**	**27,496**	**0**	**151,998**
Investment property	79,161	65	42,566	2,451,274	0	2,573,066
Unit-linked investment property	0	0	0	0	0	0
Financial investments - Shares and other variable income securities	26,267,708	1,754,057	442,171	0	−1,146,145	27,317,791
Financial investments - Property	3,691,778	154,383	50,909	0	−1,361,482	2,535,588
Financial investments - Bonds	78,110,636	4,449,928	2,393,615	0	0	84,954,179
Financial investments - Loans and deposits	5,615,281	318,351	72,049	0	−25,054	5,980,627
Financial assets for unit-linked contracts	13,375,898	0	375,159	0	0	13,751,057
Derivatives and separate embedded derivatives	3	0	0	0	0	3
Other investments	− 28,011	120	− 21,997	49,888	0	0
Investments from insurance activities	**127,112,454**	**6,676,904**	**3,354,472**	**2,501,162**	**− 2,532,681**	**137,112,311**
Investments from banking and other activities	**0**	**0**	**358,695**	**4,290,853**	**− 4,184,930**	**464,618**
Investments in equity-consolidated companies	**0**	**0**	**16,795**	**0**	**0**	**16,795**
Reinsurers' share in insurance and investment contracts liabilities	**5,338**	**557,292**	**92,595**	**0**	**− 230,822**	**424,403**
Operating property and other property, plant and equipment	2	2,561	40,239	110,990	0	153,792
Deferred acquisition costs	0	42,204	15,212	0	− 6,254	51,162
Deferred policyholders' participation assets	0	0	0	0	0	0
Deferred tax assets	0	0	23,675	1,404	0	25,079
Receivables arising from direct insurance and inward reinsurance operations	45,481	212,633	61,515	0	− 10,417	309,212
Receivables arising from outward reinsurance operations	145	14,841	1,889	0	− 3,948	12,927
Current tax receivables	14,279	76,655	7,018	96,879	− 108,798	86,033
Other receivables	426,935	85,228	17,145	125,608	− 327,030	327,886
Other assets	**486,842**	**434,122**	**166,693**	**334,881**	**− 456,447**	**966,091**
Assets held for sale and discontinued operations	**0**	**0**	**725,959**	**0**	**0**	**725,959**
Cash and cash equivalents	**136,913**	**7,620**	**112,573**	**494,637**	**0**	**751,743**
TOTAL ASSETS	**127,778,093**	**7,676,509**	**4,915,168**	**7,649,029**	**− 7,404,880**	**140,613,918**

(in thousands of euros)	Life Insurance France	Non-Life Insurance France	International	Other activities France	IG eliminations	Total
						12/31/2019
Share capital	0	0	0	1,241,035	0	1,241,035
Issue, merger and contribution premiums	0	0	0	1,154,349	0	1,154,349
Gains and losses recognized directly in equity	984,710	436,023	61,514	159,777	0	1,642,024
Retained earnings	5,986,197	1,520,475	996,209	4,033,914	− 6,476,728	6,060,067
Net consolidated income - Group share	522,038	155,286	38,691	163,052	0	879,068
Shareholders' equity – Group share	**7,492,944**	**2,111,784**	**1,096,415**	**6,752,128**	**− 6,476,728**	**10,976,542**
Gains and losses recognized directly in equity	2	15,307	1,404	0	0	16,713
Retained earnings excluding group	14	51,486	13,823	5,764	− 6,491	64,597
Net profit (loss) excluding group	2	5,502	781	211	0	6,495
Non-controlling interests	**18**	**72,295**	**16,007**	**5,975**	**− 6,491**	**87,805**
Total shareholders' equity	**7,492,962**	**2,184,078**	**1,112,422**	**6,758,103**	**− 6,483,219**	**11,064,347**
Provisions for risks and charges	**45,587**	**4,037**	**10,667**	**− 5,073**	**0**	**55,218**
Subordinated debt	800,000	0	0	0	0	800,000
Debt securities	0	0	0	0	0	0
Debt financing of banking sector companies	0	0	0	272,383	0	272,383
Other debt financing	8,490,080	323,188	9,562	256,516	− 209,446	8,869,900
Financing debt	**9,290,080**	**323,188**	**9,562**	**528,899**	**− 209,446**	**9,942,283**
Liabilities arising from insurance contracts	*4,312,479*	*4,498,376*	*580,279*	*0*	*− 231,618*	*9,159,517*
Liabilities arising from insurance contracts where the financial risk is borne by Policyholders	*13,319,346*	*0*	*375,287*	*0*	*0*	*13,694,633*
Total liabilities arising from insurance contracts	17,631,825	4,498,376	955,566	0	− 231,618	22,854,150
Liabilities arising from investment contracts with discretionary participating features	*81,803,078*	*0*	*1,781,976*	*0*	*0*	*83,585,054*
Liabilities arising from investment contracts with no discretionary participating features	*0*	*0*	*0*	*0*	*0*	*0*
Liabilities related to unit-linked financial contracts	*0*	*0*	*0*	*0*	*0*	*0*
Total liabilities arising from investment contracts	81,803,078	0	1,781,976	0	0	83,585,054
Separate derivatives on contracts	12,396	0	0	0	0	12,396
Deferred profit-sharing liabilities	11,206,483	18,104	125,508	0	0	11,350,095
Liabilities arising from insurance and investment contracts	**110,653,782**	**4,516,480**	**2,863,050**	**0**	**− 231,618**	**117,801,695**
Liabilities arising from banking activities	**0**	**0**	**0**	**0**	**0**	**0**
Deferred tax liabilities	79,409	196,366	29,849	− 15,515	0	290,110
Due to holders of consolidated mutual fund shares	0	0	0	0	0	0
Operating debt securities	0	0	0	0	0	0
Operating debt to banking sector companies	0	0	0	0	0	0
Payables arising from direct insurance and inward reinsurance operations issued	61,760	49,191	40,329	0	− 6,308	144,972
Payables arising from outward reinsurance operations	1,388	244,762	660	0	− 32,004	214,806
Current tax payables	24,920	485	376	92,725	− 108,798	9,708
Derivative liabilities	0	0	0	0	0	0
Current accounts payable	50	2,947	254	1	0	3,252
Other debts	128,154	154,975	123,214	289,888	− 333,487	362,744
Other liabilities	**295,681**	**648,726**	**194,682**	**367,099**	**−480,597**	**1,025,592**
Liabilities of operations held for sale or discontinued	**0**	**0**	**724,783**	**0**	**0**	**724,783**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**127,778,093**	**7,676,509**	**4,915,168**	**7,649,029**	**−7,404,880**	**140,613,918**

4.6.2 Segment income statement

(in thousands of euros)						12/31/2019
	Life Insurance France	**Non-Life Insurance France**	**International**	**Other activities France**	**IG eliminations**	**Total**
Gross written premiums	*8,056,895*	*3,626,643*	*648,296*	*0*	*−251,422*	*12,080,412*
Change in unearned premiums	*0*	*−4,955*	*598*	*0*	*1,287*	*−3,070*
Premiums earned	8,056,895	3,621,688	648,894	0	−250,135	12,077,342
Net banking income, net of cost of risk	0	0	0	0	0	0
Revenue or income from other activities	0	0	31,212	149,759	−28,304	152,667
Other operating income and expenses	−48,343	1,660	−8,337	0	−4,610	−59,630
Net investment income	*2,473,907*	*133,622*	*86,078*	*9,082*	*−4,008*	*2,698,681*
Investment expenses	*−19,299*	*−4,874*	*−18,917*	*−6,319*	*3,202*	*−46,207*
Gains and losses on disposals of investments net of reversals of impairment and amortization charges	*667,291*	*54,913*	*42,816*	*85,062*	*0*	*850,082*
Change in fair value of investments recognized at fair value through profit or loss	*1,696,132*	*0*	*72,642*	*0*	*0*	*1,768,774*
Change in investments impairments	*−22,850*	*−1,855*	*26*	*15*	*0*	*−24,664*
Investment income net of expenses	4,795,181	181,806	182,645	87,840	−806	5,246,666
Insurance policy servicing expenses	−10,942,165	−2,870,171	−599,466	0	187,660	−14,224,143
Income from reinsurance	*−4,102*	*−284,590*	*−57,891*	*0*	*250,119*	*−96,464*
Expenses from reinsurance	*1,475*	*305,369*	*54,011*	*0*	*−249,215*	*111,640*
Net expenses and income from reinsurance	−2,627	20,779	−3,880	0	904	15,176
Banking operating expenses	0	0	0	0	0	0
Expenses from other activities	0	0	−33,034	−79,054	4,327	−107,761
Contract acquisition costs	−609,687	−556,898	−158,854	0	24,405	−1,301,034
Amortization of value of in-force business and similar	−2,640	0	−1,800	0	0	−4,440
Administrative expenses	−433,466	−153,656	−23,001	0	72,882	−537,241
Other current operating income	36	−2	20,124	810	−10,571	10,397
Other current operating expenses	−1	0	−16,244	−732	4,248	−12,729
Current operating profit (loss)	**813,183**	**245,206**	**38,259**	**158,623**	**0**	**1,255,270**
Other operating income	936	947	724	73,311	0	75,918
Other operating expenses	−2,020	−1,935	−968	−49,373	0	−54,296
Operating profit (loss)	**812,099**	**244,218**	**38,015**	**182,561**	**0**	**1,276,892**
Financing expense	−27,659	0	−244	0	0	−27,903
Share in profit (loss) of equity-consolidated companies	0	0	10,897	0	0	10,897
Income tax	−262,401	−83,430	−9,196	−19,298	0	−374,324
Profit (loss) after tax of discontinued operations	0	0	0	0	0	0
CONSOLIDATED NET PROFIT	**522,039**	**160,788**	**39,472**	**163,263**	**0**	**885,562**
Non-controlling interests	−2	−5,502	−781	−211	0	−6,495
Consolidated net profit - Group share	**522,038**	**155,286**	**38,691**	**163,052**	**0**	**879,068**

4.7 Notes to the balance sheet

4.7.1 Goodwill

(in thousands of euros)	12/31/2018	Acquisitions	Disposals	Loss of value	Currency translation adjustment	12/31/2019
Gross value						
Life Insurance France	38,467					38,467
Non-Life Insurance France	1,206					1,206
International	204,231					204,231
Other	45,610					45,610
Total	**289,513**	**0**	**0**	**0**	**0**	**289,513**
Loss of value						
Life Insurance France						
Non-Life Insurance France						
International	− 133,497					− 133,497
Other	− 19,208					− 19,208
Total	**− 152,705**	**0**	**0**	**0**	**0**	**− 152,705**
Net value						
Life Insurance France	38,467					38,467
Non-Life Insurance France	1,206					1,206
International	70,734					70,734
Other	26,402					26,402
Total	**136,808**	**0**	**0**	**0**	**0**	**136,808**

(in thousands of euros)	12/31/2017	Acquisitions	Disposals	Loss of value	Currency translation adjustment	12/31/2018
Gross value						
Life Insurance France	38,467					38,467
Non-Life Insurance France	1,206					1,206
International	204,231					204,231
Other	45,610					45,610
Total	**289,513**	**0**	**0**	**0**	**0**	**289,513**
Loss of value						
Life Insurance France						
Non-Life Insurance France						
International	− 133,497					− 133,497
Other	− 19,208					− 19,208
Total	**− 152,705**	**0**	**0**	**0**	**0**	**− 152,705**
Net value						
Life Insurance France	38,467					38,467
Non-Life Insurance France	1,206					1,206
International	70,734					70,734
Other	26,402					26,402
Total	**136,808**	**0**	**0**	**0**	**0**	**136,808**

The breakdown of goodwill by cash-generating unit is as:

(in thousands of euros)	12/31/2019	12/31/2018
Net value		
SÉRÉNIS ASSURANCES SA	1,205	1,205
PROCOURTAGE SAS	183	183
ACM VIE SA	38,467	38,467
FONCIÈRE MASSÉNA SA	26,219	26,219
PARTNERS ASSURANCES SA	4,999	4,999
GACM SEGUROS, COMPAÑÍA DE SEGUROS Y REASEGUROS, SAU	52,986	52,986
AGRUPACIÓ AMCI D'ASSEGURANCES I REASSEGURANCES SA	11,553	11,553
ATLANTIS VIDA, COMPAÑÍA DE SEGUROS Y REASEGUROS SA	1,196	1,196
Total	**136,808**	**136,808**

4.7.2 Value of in-force business and other intangibles

(in thousands of euros)	12/31/2018	Acquisitions / Allowances	Disposals / Decreases	12/31/2019
Value of in-force business	43,570	1,800 *		45,370
Business goodwill	13,166	129		13,295
Leasehold rights	574			574
Concessions and similar rights	2,340	260		2,600
Other	23,863	193	- 1,800 *	22,256
Gross value	**83,512**	**2,382**	**− 1,800**	**84,096**
Amortization of portfolio securities	− 36,779	− 4,399		− 41,178
Business goodwill	− 2,902	− 486		− 3,388
Leasehold rights				0
Concessions and similar rights	− 2,167	− 114		− 2,281
Other	− 21,966	− 93		− 22,059
Depreciation, amortization and impairment	**− 63,814**	**− 5,092**	**0**	**− 68,906**
Other net intangible assets	**19,699**	**− 2,710**	**− 1,800**	**15,189**

* Item-to-item reclassification

(in thousands of euros)	12/31/2017	Acquisitions / Allowances	Disposals / Decreases	12/31/2018
Value of in-force business	45,370		− 1,800	43,570
Business goodwill	13,166			13,166
Leasehold rights	1,833		− 1,259	574
Concessions and similar rights	2,184	8,365	− 8,209	2,340
Other	20,246	3,620	− 3	23,863
Gross value	**82,799**	**11,985**	**− 11,271**	**83,512**
Amortization of portfolio securities	− 34,065	− 2,714		− 36,779
Business goodwill	− 2,385	− 517		− 2,902
Leasehold rights	0			0
Concessions and similar rights	− 1,967	− 8,312	8,112	− 2,167
Other	− 20,146	− 1,820		− 21,966
Depreciation, amortization and impairment	**− 58,563**	**− 13,363**	**8,112**	**− 63,814**
Other net intangible assets	**24,236**	**− 1,378**	**− 3,159**	**19,699**

4.7.3 Investment property

(in thousands of euros)	12/31/2018 *	Change in Scope	Increases / Decreases Allowances / Reversals	Currency translation adjustment	Other changes	12/31/2019
Gross value	2,945,944	0	4,779			2,950,723
Depreciation, amortization and impairment	− 340,641	0	− 37,016			− 377,657
Net value of investment property	**2,605,303**	**0**	**− 32,237**	**0**	**0**	**2,573,066**

(in thousands of euros)	12/31/2017	Change in Scope	Increases / Decreases Allowances / Reversals	Currency translation adjustment	Other changes	12/31/2018 *
Gross value	2,965,555	0	− 19,611			2,945,944
Depreciation, amortization and impairment	− 311,541	0	− 29,100			− 340,641
Net value of investment property	**2,654,014**	**0**	**− 48,658**	**0**	**0**	**2,605,303**

* This presentation takes into account the reclassification of “Investment properties” to “Operating properties and other property, plant and equipment”

4.7.4 Fair value of investment property

(in thousands of euros)	12/31/2019	12/31/2018 *
Carrying amount	2,573,066	2,605,303
Market value	3,588,181	3,525,803
Net gains or losses on investment property	**1,015,115**	**920,394**

* This presentation takes into account the reclassification of "Investment properties" to "Operating properties and other property, plant and equipment"

4.7.5 Breakdown of investments

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable, consenting parties in an arm's length transaction.

The fair value amounts shown below represent estimates made at the reporting date. They are therefore likely to change over time due to changing market conditions or other factors.

	12/31/2019	
(in thousands of euros)	Carrying amount	Fair value
Equities and other variable income securities	16,366,184	16,366,184
Financial investments - Property	547,758	547,758
Bonds and other fixed income securities	70,891,449	70,891,449
Available-for-sale assets	**87,805,391**	**87,805,391**
Financial investments - Property	415,669	415,669
Bonds and other fixed income securities	10,770,674	11,793,974
Assets held to maturity	**11,186,343**	**12,209,643**
Shares and other variable income securities (1)	10,951,607	10,951,607
Financial investments - Property	1,572,161	1,572,161
Bonds and other fixed income securities	3,292,056	3,292,056
Financial assets at fair value through profit or loss by type or as an option	**15,815,824**	**15,815,824**
Loans and receivables	5,980,627	5,980,627
Financial investments	**120,788,185**	**121,811,485**
Investment property (at amortised cost)	2,573,066	3,588,181
Derivatives	3	3
General fund investments (A) (2)	**123,361,254**	**125,399,669**
Unit-linked contract (B) investments	**13,751,057**	**13,751,057**
Total (A) + (B)	**137,112,311**	**139,150,726**

(1) Of which money market mutual funds: €5,867,233 thousand.
(2) Of which structured products: €3,381,733 thousand (fair value).

(in thousands of euros)	12/31/2018 * Carrying amount	12/31/2018 * Fair value
Equities and other variable income securities	12,999,599	12,999,599
Financial investments - Property	403,354	403,354
Bonds and other fixed income securities	65,590,069	65,590,069
Available-for-sale assets	**78,993,023**	**78,993,023**
Financial investments - Property	260,533	260,533
Bonds and other fixed income securities	13,541,967	14,468,414
Assets held to maturity	**13,802,500**	**14,728,948**
Shares and other variable income securities (1)	11,561,572	11,561,572
Financial investments - Property	1,607,934	1,607,934
Bonds and other fixed income securities	3,664,356	3,664,356
Financial assets at fair value through profit or loss by type or as an option	**16,833,863**	**16,833,863**
Loans and receivables	3,020,567	3,020,567
Financial investments	**112,649,952**	**113,576,400**
investment property (at amortised cost)	2,605,303	3,525,803
Derivatives	104	104
General fund investments (A)	**115,255,359**	**117,102,307**
Unit-linked contract (B) investments	**12,176,875**	**12,176,875**
Total (A) + (B)	**127,432,234**	**129,279,182**

(1) Of which money market mutual funds: €6,062,138 thousand.
(2) Of which structured products: €2,178,620 thousand (fair value).

* This presentation takes into account the reclassification of “Investment properties” to “Operating properties and other property, plant and equipment”

Unit-linked financial investments break down as follows:

(in thousands of euros)	12/31/2019 Net value	12/31/2018 Net value
Investments property	902,797	777,638
Amortizable securities and similar	1,496,712	920,813
Equities	515,815	591,527
Mutual fund shares	5,498,797	4,516,411
Mutual fund bonds	1,555,111	1,637,304
Other mutual funds	3,781,826	3,733,181
Total	**13,751,057**	**12,176,875**

The IFRS 4 amendment of September 2016 allows insurance groups to defer the application of IFRS 9.

In accordance with paragraphs 39E and 39G of this amendment to IFRS 4, the notes to the consolidated financial statements are required to disclose the following information. Note that this information is presented excluding unit-lined, which will be accounted for under IFRS 9 as an irrevocable option at fair value through profit or loss.

Share of SPPIs by management intention in market value (Standard & Poor's rating):

(in thousands of euros)	Assets available for sale	Assets held to maturity	Financial assets at fair value through profit or loss	Loans and receivables	Total
AAA	3,590,115	1,339,793	0	5,638,004	10,567,912
AA+	1,392,464	594,762	0	0	1,987,226
AA	17,979,585	4,305,739	0	0	22,285,324
AA-	3,465,379	261,341	0	0	3,726,720
A+	5,699,042	692,900	0	0	6,391,942
A	8,683,767	1,847,983	87,163	0	10,618,913
A-	8,846,955	55,839	518	0	8,903,312
BBB+	7,231,131	303,620	26,847	85	7,561,683
BBB	5,231,830	351,559	0	0	5,583,389
BBB-	330,575	0	0	0	330,575
BB+	160,634	0	0	0	160,634
BB	15,309	0	0	0	15,309
BB-	31,566	0	0	0	31,566
B+	5,217	0	0	0	5,217
B	6,088	0	0	0	6,088
B-	0	0	0	0	0
Not rated	7,118,757	2,020,172	10,164	640,026	9,789,120
Total 12/31/2019	**69,788,415**	**11,773,707**	**124,692**	**6,278,116**	**87,964,929**
Total 12/31/2018 *	**64,660,729**	**14,602,986**	**127,762**	**3,124,944**	**82,516,420**

* showing the reclassification of securities receivables and deposits in SPPI

Amount of assets held to maturity in SPPI:

	12/31/2019			12/31/2018
(in thousands of euros)	Balance sheet value	Fair value	Gains or losses unrealized	Gains or losses unrealized
Assets held to maturity	10,750,541	11,773,707	1,023,165	937,394

The revaluation recognized directly in equity of available-for-sale SPPI financial assets amounted to € 6,250,063 thousand (€4,908,491 thousand the previous year).

4.7.6 Financial instruments carried at amortized cost in the balance sheet, measured at fair value

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants at the valuation date.

Fair value is based on the sales price (concept of exit price).

The fair value amounts shown below represent estimates made at the reporting date using primarily observable market data. They are likely to change during other periods due to changing market conditions or other factors.

The calculations made represent the best estimate that could be made. It is based on a number of valuation models and assumptions. It supposes that market participants act in their best economic interest. To the extent that these models present uncertainties, the fair values used may not be realized upon the actual sale or immediate settlement of the financial instruments concerned.

The fair value hierarchy of financial instruments is broken down according to the general criteria of observability of the inputs used in the valuation, in accordance with the principles defined by IFRS 13:

- Level 1: fair values are equal to the prices (unadjusted) on an active market;
- Level 2: fair values measured using directly or indirectly observable inputs other than Level 1 inputs;
- Level 3: fair values for which a significant portion of the parameters used to determine them do not meet observability criteria.

The characteristics of these fair value levels are detailed in the paragraph on determining the fair value of financial instruments ("Fair value hierarchy”).

	12/31/2019		Prices quoted on active markets for instruments identical:	Valuation based on observable market inputs:	Valuation based on unobservable market inputs:
(in thousands of euros)	Value at balance sheet	Fair value	Level 1	Level 2	Level 3
Loans and receivables	**5,980,627**	**5,980,627**	**0**	**5,980,627**	**0**
Loans	7,753	7,753		7,753	
Advances and deposits	134,593	134,593		134,593	
Other loans and receivables	5,838,281	5,838,281		5,838,281	
Reinsurance receivables	**322,139**	**322,139**	**0**	**0**	**322,139**
Receivables arising from direct insurance and inward reinsurance	309,212	309,212			309,212
Receivables arising from outward reinsurance operations	12,927	12,927			12,927
Cash and cash equivalents	**751,743**	**751,743**	**0**	**751,743**	**0**
Cash and cash equivalents	751,743	751,743		751,743	
Held-to-maturity financial assets	**11,186,343**	**12,209,643**	**11,793,974**	**415,669**	**0**
Financial investments - Property	415,669	415,669		415,669	
Government securities and similar securities	6,931,731	7,852,251	7,852,251		
Bonds and other fixed income securities	3,838,942	3,941,723	3,941,723		
Total financial assets whose fair value is indicated	**18,240,852**	**19,264,152**	**11,793,974**	**7,148,039**	**322,139**

(in thousands of euros)	12/31/2018		Prices quoted on active markets for instruments identical:	Valuation based on observable market inputs:	Valuation based on unobservable market inputs:
	Value at balance sheet	Fair value	Level 1	Level 2	Level 3
loans and receivables	**3,020,567**	**3,020,567**	**0**	**3,020,567**	**0**
Loans	54,145	54,145		54,145	
Advances and deposits	201,737	201,737		201,737	
Other loans and receivables	2,764,685	2,764,685		2,764,685	
Reinsurance receivables	**292,958**	**292,958**	**0**	**0**	**292,958**
Receivables arising from direct insurance and inward reinsurance	287,563	287,563			287,563
Receivables arising from outward reinsurance operations	5,395	5,395			5,395
Cash and cash equivalents	**260,842**	**260,842**	**0**	**260,842**	**0**
Cash and cash equivalents	260,842	260,842		260,842	
Held-to-maturity financial assets	**13,802,500**	**14,728,947**	**14,468,414**	**260,533**	**0**
Financial investments - Property	260,533	260,533		260,533*	
Government securities and similar securities	7,127,139	7,955,419	7,955,419		
Bonds and other fixed income securities	6,414,828	6,512,996	6,512,996		
Total financial assets whose fair value is indicated	**17,376,867**	**18,303,314**	**14,468,414**	**3,541,942**	**292,958**

* Reclassified in 2019 from level 1 to level 2.

4.7.7 Financial instruments recognized at fair value

				12/31/2019
	Prices quoted on active markets for identical instruments:	Valuation based on observable market inputs:	Valuation based on unobservable market inputs:	Total
(in thousands of euros)	Level 1	Level 2	Level 3	
Available-for-sale assets	**83,401,876**	**3,298,168**	**1,105,347**	**87,805,391**
Shares and other variable income securities	13,162,073	2,098,765	1,105,347	16,366,184
Financial investments - Property	82,785	464,973		547,758
Bonds and other fixed income securities	70,157,018	734,431		70,891,449
Financial assets at fair value through profit or loss by type or as an option (excluding unit-linked)	**10,022,967**	**5,792,856**	**0**	**15,815,824**
Shares and other variable income securities	9,339,402	1,612,205		10,951,607
Financial investments - Property	58,392	1,513,769		1,572,161
Bonds and other fixed income securities	625,173	2,666,883		3,292,056
Financial assets at fair value through profit or loss as an option (unit-linked)	**12,781,808**	**969,250**	**0**	**13,751,058**
Equity securities and other variable income securities	11,166,441	185,108		11,351,549
Financial investments – Real estate equity and funds	118,655	784,142		902,797
Bonds and other fixed income securities	1,496,712			1,496,712
Unit-linked investment property				
Derivatives		**3**		**3**
Total assets measured at fair value	**106,206,651**	**10,060,278**	**1,105,347**	**117,372,275**
Transfers from Level 1		1,206,964		1,206,964
Transfers from Level 2	259,108		10	259,118
Transfers from Level 3				0
Total transfers to each of the levels	**259,108**	**1,206,964**	**10**	**1,466,082**

(in thousands of euros)	Prices quoted on active markets for identical instruments: Level 1	Valuation based on observable market inputs: Level 2	Valuation based on unobservable market inputs: Level 3	Total
				12/31/2018 *
Available-for-sale assets	**75,737,280**	**2,191,199**	**1,064,544**	**78,993,023**
Shares and other variable income securities	10,288,374	1,646,682	1,064,544	12,999,600
Financial investments - Property	1,098	402,256		403,354
Bonds and other fixed income securities	65,447,808	142,261		65,590,069
Financial assets at fair value through profit or loss by type or as an option (excluding unit-linked)	**11,874,871**	**4,958,991**	**0**	**16,833,862**
Shares and other variable income securities	10,160,293	1,401,279		11,561,572
Financial investments - Property	990,435	617,499		1,607,934
Bonds and other fixed income securities	724,143	2,940,213		3,664,356
Financial assets at fair value through profit or loss as an option (unit-linked)	**11,681,345**	**495,529**	**0**	**12,176,874**
Equity securities and other variable income securities	9,991,184	487,239		10,478,423
Financial investments – Real estate equity and funds	769,348	8,290		777,638
Bonds and other fixed income securities	920,813			920,813
Unit-linked property investment				
Unit-linked investment property		**104**		**104**
Derivatives	**99,293,496**	**7,645,823**	**1,064,544**	**108,003,863**
Transfers from Level 1		356,726		356,726
Transfers from Level 2	12,172			12,172
Transfers from Level 3				0
Total transfers to each of the levels	**12,172**	**356,726**	**0**	**368,898**

* This presentation takes into account reclassifications within the line item “Financial assets at fair value through profit or loss under UC option”.

4.7.8 Changes in the balance of available-for-sale financial assets measured at fair value under level 3

(in thousands of euros)	Equities and other variable income securities	Bonds and others fixed-income securities	Total assets available-for-sale
Balance at December 31, 2018	**1,064,543**	**0**	**1,064,543**
Gains and losses from the period:	40,794	0	40,794
- Recognized through profit or loss			0
- Recognized through equity	40,794		40,794
Purchases of the period			0
Disposals of the period			0
Issuances of the period			0
Maturities of the period			0
Transfers	10	0	10
- to level 3	10		10
- excluding level 3			0
Change in scope of consolidation			0
Balance at December 31, 2019	**1,105,347**	**0**	**1,105,347**

4.7.9 Bond portfolio maturity schedule

				12/31/2019
(in thousands of euros)	Less than 1 year	Between 1 and 5 years	Greater than 5 years	Total
Available-for-sale assets	4,531,099	18,658,787	47,701,563	70,891,449
Assets held to maturity	3,041,974	3,172,019	4,556,681	10,770,674
Financial assets at fair value through profit or loss by type or on option	401,606	2,006,958	883,492	3,292,056
Total bond portfolio (excluding unit-linked)	**7,974,679**	**23,837,764**	**53,141,736**	**84,954,179**

				12/31/2018
(in thousands of euros)	Less than 1 year	Between 1 and 5 years	Greater than 5 years	Total
Available-for-sale assets	4,364,321	19,146,682	42,079,067	65,590,069
Assets held to maturity	4,733,443	4,062,155	4,746,368	13,541,967
Financial assets at fair value through profit or loss by type or on option	299,388	2,323,120	1,041,847	3,664,356
Total bond portfolio (excluding unit-linked)	**9,397,152**	**25,531,958**	**47,867,282**	**82,796,392**

4.7.10 Bond portfolio by issuer type

					12/31/2019
(in thousands of euros)	Administrations general	Establishments of credit	Large companies	Other	Total
Debt instruments available-for- sale	20,701,336	25,612,380	23,422,792	1,154,941	70,891,449
Held-to-maturity financial assets	4,180,858	6,349,378	240,438		10,770,674
Debt instruments at fair value through profit or loss on option	19,901	2,839,075	420,374	12,706	3,292,056
Total bond portfolio (excluding unit-linked)	**24,902,095**	**34,800,832**	**24,083,605**	**1,167,646**	**84,954,179**

					12/31/2018
(in thousands of euros)	Administrations general	Establishments of credit	Large companies	Other	Total
Debt instruments available-for- sale	20,225,967	23,162,470	21,282,042	919,591	65,590,069
Held-to-maturity financial assets	4,255,194	9,046,442	240,331		13,541,967
Debt instruments at fair value through profit or loss on option		3,222,305	426,272	15,779	3,664,356
Total bond portfolio (excluding unit-linked)	**24,481,161**	**35,431,217**	**21,948,644**	**935,370**	**82,796,392**

4.7.11 Change in investments impairments

(in thousands of euros)	12/31/2018	Change in Scope	Allowances / Increase	Reversals / Decreases	Currency translation adjustment	Other changes	12/31/2019
Impairment on held-to-maturity securities							
Impairment on shares and other variable income securities	− 1,237,889		− 21,971	118,000			− 1,141,860
Impairment on bonds and other fixed income securities	−20,732		− 680				− 21,412
Impairment on available-for-sale assets	**− 1,258,621**	**0**	**− 22,651**	**118,000**	**0**	**0**	**− 1,163,272**
Impairments of investment property (amortized cost)							
Impairments on loans and receivables							
Impairments on other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total impairments	**− 1,258,621**	**0**	**− 22,651**	**118,000**	**0**	**0**	**− 1,163,272**

(in thousands of euros)	12/31/2017	Change in Scope	Allowances / Increases	Reversals / Decreases	Currency translation adjustment	Other changes	12/31/2018
Impairment on held-to-maturity securities							
Impairment on shares and other variable income securities	− 1,378,118		− 23,800	164,029			− 1,237,889
Impairment on bonds and other fixed income securities	− 16,570	− 3,280	− 882				− 20,732
Impairment on available-for-sale assets	**− 1,394,688**	**− 3,280**	**− 24,682**	**164,029**	**0**	**0**	**− 1,258,621**
Impairments of investment property (amortized cost)							
Impairments on loans and receivables							
Impairments on other financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total impairments	**− 1,394,688**	**− 3,280**	**− 24,682**	**164,029**	**0**	**0**	**− 1,258,621**

4.7.12 Derivatives

	12/31/2019		12/31/2018	
	Market value		Market value	
(in thousands of euros)	Positive	Negative	Positive	Negative
Interest rate swaps	3		104	
Currency swaps		12,396		11,478
Interest rate options				
Caps, floors, collars				
Interest rate instruments	**3**	**12,396**	**104**	**11,478**
Equity and equity index derivatives				
Other				
Other instruments				
Total transaction derivatives	**3**	**12,396**	**104**	**11,478**

4.7.13 Investments in equity-consolidated companies

	12/31/2019				
(in thousands of euros)	Value of equity consolidation	Share of profit (loss)	Goodwill	Dividend paid in the group	% interest
RMA SA	0	6,260	0	13,591	ceded
ASTREE SA	16,795	4,637	0	998	30.00%
Total	**16,795**	**10,897**	**0**	**14,589**	

	12/31/2018				
(in thousands of euros)	Value of equity consolidation	Share of profit (loss)	Goodwill	Dividend paid in the group	% interest
RMA SA	130,692	16,529	0	12,295	22.02%
ASTREE SA	13,685	1,575	0	1,039	30.00%
Total	**144,377**	**18,104**	**0**	**13,334**	

4.7.14 Reinsurers' share in insurance and investment contracts liabilities

(in thousands of euros)	12/31/2019	12/31/2018
Provisions for unearned premiums	− 5,333	− 5,357
Provisions for claims payable	− 132,172	− 76,480
Forecasted Recoveries	2,465	2,607
Provisions for increasing risks	− 164,343	− 144,610
Mathematical reserves for annuities	− 121,508	− 120,817
Other technical provisions	− 4	− 219
Share of reinsurers in non-life insurance provisions	**− 420,895**	**− 344,876**
Life insurance provisions	− 1,080	− 970
Provisions for claims payable	− 2,295	− 2,366
Provisions for deferred profit-sharing	− 133	− 81
Other technical provisions	0	0
Share of reinsurers in life insurance provisions	**− 3,508**	**− 3,417**
Share of reinsurers in financial contract provisions	**0**	**0**
Total reinsurers' share in insurance and investment contracts liabilities	**− 424,403**	**− 348,293**

4.7.15 Other property and equipment

(in thousands of euros)	12/31/2018	01/01/2019	Acquisitions / Allowances	Disposals / Reversals	Currency translation adjustment	Other changes	12/31/2019
Gross value	192,454	0	14,306	− 16,136			190,624
Depreciation, amortization and impairment	− 75,494	0	− 3,633	3,609			− 75,518
IFRS 16 - Right-of-use		30,380	16,349				46,729
IFRS 16 - Amortization of Right-of-use			− 8,043				− 8,043
Net value of operating property and other property and equipment	**116,960**	**30,380**	**18,979**	**− 12,527**	**0**	**0**	**153,792**

(in thousands of euros)	12/31/2017	Change in Scope	Acquisitions / Allowances	Disposals / Reversals	Currency translation adjustment	Other changes	12/31/2018
Gross value	176,611	0	16,922	− 1,079			192,454
Depreciation, amortization and impairment	− 67,436	0	− 9,195	1,137			− 75,494
Net value of operating property and other property and equipment	**109,175**	**0**	**7,727**	**58**	**0**	**0**	**116,960**

4.7.16 Deferred acquisition costs

(in thousands of euros)	12/31/2019	12/31/2018
Deferred acquisition costs on life insurance	0	58,879
Deferred acquisition costs on non-life insurance	51,162	51,251
Total deferred acquisition costs	**51,162**	**110,130**

The change in deferred acquisition costs for the life business is presented in the accounting principles and methods: 4.3.8 Insurance contracts - Deferred acquisition costs and charges.

4.7.17 Current and deferred tax assets and liabilities

(in thousands of euros)	12/31/2019	12/31/2018
Current tax receivables	86,033	69,497
Deferred tax assets	25,079	24,239
Total current and deferred tax assets	**111,112**	**93,736**
Current tax payables	9,708	7,561
Deferred tax liabilities	290,110	42,422
Total current and deferred tax liabilities	**299,818**	**49,983**
Total net deferred taxes	**− 265,030**	**− 18,183**

This presentation takes into account the offset of deferred taxes related to the tax consolidation.

Deferred tax assets and liabilities by type break down as follows:

	12/31/2019		12/31/2018	
(in thousands of euros)	Reserves	Profit (loss)	Reserves	Profit (loss)
Revaluation of financial instruments	− 3,644,237	− 221,690	− 2,169,057	− 70,444
Deferred profit-sharing on revaluation of financial instruments	3,108,099	189,698	1,861,734	69,334
Restatement of technical provisions		249,631		256,575
Deferred social taxes		3,159		6,969
Accounting-tax timing differences		73,039		62,549
Other consolidation restatements		− 22,730		− 35,843
Total net deferred taxes	**− 536,138**	**271,108**	**− 307,323**	**289,140**

4.7.18 Receivables arising from direct insurance and inward reinsurance operations

(in thousands of euros)	12/31/2019 Net value	12/31/2018 Net value
Receivables on policyholders	189,222	172,994
Unwritten premiums acquired	102,950	95,322
Other receivables	14,097	16,612
Receivables on cedents	2,943	2,635
Total receivables arising from direct insurance and inward reinsurance operations	**309,212**	**287,563**

4.7.19 Receivables arising from outward reinsurance operations

(in thousands of euros)	12/31/2019 Net value	12/31/2018 Net value
Current accounts of reinsurers and retrocessionaires	12,844	5,233
Other receivables from reinsurance transactions	83	162
Total receivables arising from outward reinsurance operations	**12,927**	**5,395**

4.7.20 Other receivables

(in thousands of euros)	12/31/2019 Net value	12/31/2018 Net value
Suppliers	53	19
Customers	9,859	7,311
Employee receivables	60	1,079
Governments, social organizations	157,093	188,863
Partners	0	2,333
Dividends to be received	0	0
Miscellaneous debtors	104,882	120,764
Income to be received	2,637	2,597
Other accruals	29,121	44,544
Prepaid expenses	22,701	194
Accrued and unpaid interest	1,480	2,421
Total	**327,886**	**370,125**

4.7.21 Share capital

COMPOSITION OF SHARE CAPITAL AT 12/31/2019

Shareholders	Number of shares	% of share capital	% of voting rights
BFCM	40,064,773	50.04%	50.04%
CIC	12,862,172	16.06%	16.06%
CFCM Nord Europe	8,181,455	10.22%	10.22%
CFCM Maine-Anjou, Basse Normandie	5,920,499	7.39%	7.39%
CRCM Loire-Atlantique, Centre-Ouest	4,330,811	5.41%	5.41%
CFCM Océan	2,307,412	2.88%	2.88%
CRCM Anjou	1,499,147	1.87%	1.87%
CRCM Centre	1,184,093	1.48%	1.48%
CRCM Midi Atlantique	927,374	1.16%	1.16%
CRCM Ile-de-France	558,386	0.70%	0.70%
CRCM Normandie	547,203	0.68%	0.68%
CRCM Savoie - Mont Blanc	499,894	0.62%	0.62%
CCM Sud Est	445,061	0.56%	0.56%
CRCM Méditerranée	435,034	0.54%	0.54%
CRCM Dauphiné Vivarais	303,452	0.38%	0.38%
Caisse Fédérale de Crédit Mutuel	1	0.00%	0.00%
Miscellaneous	1	0.00%	0.00%
Total	**80,066,768**	**100.00%**	**100.00%**

PREFERRED SHARES

GACM SA has not issued preferred shares.

4.7.22 Earnings per share

	12/31/2019	12/31/2018
Net profit (loss) attributable to owners of the parent for the period (in thousands of euros)	879,068	845,731
Weighted average number of ordinary shares outstanding during the period	80,066,768	80,066,768
Earnings per share * (in euros)	10.98	10.56

* identical to diluted earnings.

4.7.23 Dividends

In 2019, the General Meeting approved the distribution of a total dividend of €1,881,569 thousand, or €23.50 per share.

	12/31/2018
Ordinary dividend per share (in euros)	6.00
Exceptional dividend per share (in euros)	17.50
Total dividend (in thousands of euros)	1,881,569

4.7.24 Breakdown of provisions for risks and charges

(in thousands of euros)	12/31/2018	Allowances	Reversals	Reclassification	12/31/2019
Contingencies	8,300		− 2,717		5,583
Lawsuits contingency provisions	2,429	1,031			3,460
Employee benefits	42,489	5,596		− 1,910	46,175
Tax adjustment	282		− 282		0
Total	**53,500**	**6,627**	**− 2,999**	**− 1,910**	**55,218**

(in thousands of euros)	12/31/2017	Allowances	Reversals	Reclassification	12/31/2018
Contingencies	4,294	4,006			8,300
Lawsuits contingency provisions	2,467		− 38		2,429
Employee benefits	45,266		− 2,777		42,489
Tax adjustment	10,079		− 9,797		282
Total	**62,106**	**4,006**	**− 12,612**	**0**	**53,500**

4.7.25 Financing debt

(in thousands of euros)	12/31/2019	12/31/2018 *
Debts relating to Group companies **	1,506,328	1,825,893
Debt relating to companies with an equity investment	0	0
Debt relating to other activities	17,527	17,127
Subordinated debt	800,000	300,000
Debt financing of banking sector companies	272,383	280,803
Other ***	7,346,045	6,009,430
of which debt related to repurchase transactions	*7,306,438*	*6,008,146*
Total	**9,942,283**	**8,433,252**

* This presentation takes into account reclassifications relating to other financing liabilities.

** These are mainly short-term debts not exposed to interest rate risk.

*** of which €38 million of lease obligations - IFRS 16

Detail of subordinated debts is shown:

(in thousands of euros)	2014	2015	2016	2019
Type	**Redeemable subordinated note**	**Subordinated loan**	**Subordinated loan**	**Subordinated loan**
Issuance date	06/04/2014	12/04/2015	03/23/2016	12/18/2019
ISIN	FR0011947720	N/A	N/A	N/A
Listing	Euronext Paris	N/A	N/A	N/A
Term	10 years	10 years	10 years	10 years
Currency	Euro	Euro	Euro	Euro
Amount	150,000	100,000	50,000	500,000
Number of shares	1,500	N/A	N/A	N/A
Par	100	N/A	N/A	N/A
Nominal rate	4.63%	3.85%	3.65%	1.82%
Redemption price	Par	Par	Par	Par
Issuance expenses	800	0	0	0
Amortization	Redemption at par June 4, 2024	Redemption at par December 4, 2025	Redemption at par March 23, 2026	Redemption at par December 18, 2029
Related derivatives	None	None	None	None

On issuance, the debt financings are recorded according to the amortized cost method. This method amortizes through profit or loss all the differences between the acquisition price and the redemption price. Costs directly attributable to the issuance (commission, fees, etc.) are spread over the term of the debt. The interest expense for the year 2019 is €12,960 thousand.

4.7.26 Total liabilities arising from insurance contracts

	12/31/2019		
(in thousands of euros)	Gross of reinsurance	Gross of reinsurance	Gross of reinsurance
Provisions for unearned premiums	312,793	5,333	307,460
Provisions for claims	3,610,757	132,172	3,478,585
Provisions for profit-sharing	4,214		4,214
Mathematical reserves for annuities	363,878	121,508	242,370
Provisions for increasing risks	551,888	164,343	387,545
Forecasted recoveries	− 179,091	− 2,465	− 176,626
Provision for unexpired risks	35,701		35,701
Other technical provisions	4,935	4	4,931
Technical liabilities related to non-life insurance contracts	**4,705,075**	**420,895**	**4,284,180**
Provisions for claims	282,822	2,295	280,527
Mathematical reserves	4,169,342		4,169,342
Other technical provisions	2,278	1,213	1,065
Technical liabilities related to life insurance contracts	**4,454,442**	**3,508**	**4,450,934**
Technical liabilities relating to insurance contracts where the financial risk is borne by the insured	**13,694,633**	**0**	**13,694,633**
Total liabilities arising from insurance contracts*	**22,854,150**	**424,403**	**22,429,747**

* of which:

- ✓ €921 million in provisions for bodily injury claims on motor vehicles from ACM IARD SA;
- ✓ mathematical reserves (including provisions for increasing risks) for creditor insurance for €814 million (€279 million for ACM IARD SA and €535 million for ACM VIE SA), gross of reinsurance. Positive and negative mathematical reserves, determined on a case-by-case basis, have been netted within the same homogeneous category of contracts, without pooling results between guarantees and between homogeneous categories.

(in thousands of euros)	12/31/2018 *		
	Gross of reinsurance	Gross of reinsurance	Gross of reinsurance
Provisions for unearned premiums	305,831	5,357	300,474
Provisions for claims	3,158,081	76,480	3,081,601
Provisions for profit-sharing	4,159		4,159
Mathematical reserves for annuities	348,623	120,814	227,809
Provisions for increasing risks	452,771	144,610	308,161
Forecasted Recoveries	− 166,781	− 2,607	− 164,174
Provision for unexpired risks	34,687		34,687
Other technical provisions	4,458	5	4,453
Technical liabilities related to non-life insurance contracts	**4,141,829**	**344,659**	**3,797,170**
Provisions for claims	241,465	2,366	239,099
Mathematical reserves	3,915,206		3,915,206
Other technical provisions	3,916	1,268	2,648
Technical liabilities related to life insurance contracts	**4,160,587**	**3,634**	**4,156,953**
Technical liabilities relating to insurance contracts where the financial risk is borne by the insured	**12,129,190**	**0**	**12,129,190**
Total liabilities arising from insurance contracts**	**20,431,606**	**348,293**	**20,083,313**

* Modified 2018

** of which:

- ✓ €828 million in provisions for bodily injury claims on motor vehicles from ACM IARD SA;
- ✓ mathematical reserves (including provisions for increasing risks) for creditor insurance for €721 million (€209 million for ACM IARD SA and €512 million for ACM VIE SA), gross of reinsurance. Positive and negative mathematical reserves, determined on a case-by-case basis, have been netted within the same homogeneous category of contracts, without pooling results between guarantees and between homogeneous categories.

4.7.27 Total liabilities arising from investment contracts

(in thousands of euros)	12/31/2019		
	Gross of reinsurance	Gross of reinsurance	Gross of reinsurance
Mathematical reserves			
Mathematical reserves for savings	77,643,092		77,643,092
Provisions for claims payable			
Provisions for profit-sharing	5,830,204		5,830,204
of which provisions for surplus profit-sharing	*5,484,648*		*5,484,648*
Overall management provisions	111,758		111,758
Mathematical reserves for annuities			
Other technical provisions			
Liabilities arising from investment contracts in euros with discretionary profit-sharing	**83,585,054**	**0**	**83,585,054**
Liabilities arising from investment contracts in euros without discretionary profit-sharing			
Liabilities arising from investment contracts where the financial risk is borne by the insured			
Total liabilities arising from investment contracts	**83,585,054**	**0**	**83,585,054**

(in thousands of euros)	12/31/2018 *		
	Gross of reinsurance	Reinsurance	Net of reinsurance
Mathematical reserves			
Mathematical reserves for savings	76,563,280		76,563,280
Provisions for claims payable			
Provisions for profit-sharing	5,092,183		5,092,183
of which provisions for surplus profit-sharing	*4,670,137*		*4,670,137*
Overall management provisions	109,613		109,613
Mathematical reserves for annuities			
Other technical provisions			
Liabilities arising from investment contracts in euros with discretionary profit-sharing	**81,765,076**	**0**	**81,765,076**
Liabilities arising from investment contracts in euros without discretionary profit-sharing			
Liabilities arising from investment contracts where the financial risk is borne by the insured			
Total liabilities arising from investment contracts	**81,765,076**	**0**	**81,765,076**

* 2018 modified

4.7.28 Net deferred profit-sharing

(in thousands of euros)	12/31/2019	12/31/2018
Deferred profit-sharing - revaluation of assets recognized at fair value through profit or loss	1,349,677	983,529
Deferred profit-sharing - revaluation of assets recognized at fair value through reserves (available-for-sale assets)	9,696,034	5,823,426
Deferred profit-sharing - other restatements	304,385	321,580
Total deferred profit-sharing liabilities	**11,350,095**	**7,128,535**

4.7.29 Debt arising from insurance or accepted reinsurance transactions

	12/31/2019	12/31/2018
(in thousands of euros)	Net value	Net value
Debt arising from insurance transactions		
Insured	44,795	33,833
Intermediaries	76,599	77,126
Co-insurers	6,042	1,674
Other debt	16,451	10,539
Sub-total	**143,887**	**123,172**
Debt arising from reinsurance transactions		
Cedents	1,060	1,349
Intermediaries	25	0
Sub-total	**1,085**	**1,349**
Total	**144,972**	**124,521**

4.7.30 Debt arising from reinsurance transactions

(in thousands of euros)	12/31/2019 Net value	12/31/2018 Net value
Current accounts of cessionaires	13,987	8,214
Cash deposits	200,819	188,460
Total	**214,806**	**196,674**

4.7.31 Other debts

(in thousands of euros)	12/31/2019	12/31/2018
Employee accounts	46,591	43,873
Governments, social organizations	127,250	121,233
Expenses to pay	25,359	19,805
Miscellaneous creditors	57,823	60,138
Trade payables	51,133	40,077
Other debt	54,588	181,105
Total	**362,744**	**466,231**

4.8 Notes to the income statement

4.8.1 Analysis of revenue by business segment

(in thousands of euros)	12/31/2019 Gross value	12/31/2018 Gross value	Change 2019 / 2018
Savings	6,401,851	6,558,886	− 2.4%
Retirement	248,877	224,281	11.0%
Savings / Retirement	**6,650,729**	**6,783,167**	**− 2.0%**
Term insurance	254,702	241,123	5.6%
Whole life insurance	102,429	98,512	4.0%
Care insurance	35,442	35,448	− 0.0%
Accidental death benefit (ADB)	87,479	77,365	13.1%
Health	925,723	890,326	4.0%
Creditor	1,634,906	1,557,673	5.0%
Other protection	149,319	143,236	4.2%
Protection / Health / Creditor	**3,190,001**	**3,043,683**	**4.8%**
Property damage & liability insurance	651,090	613,488	6.1%
Motor	1,219,571	1,152,942	5.8%
Legal assistance	55,098	52,184	5.6%
Other	279,102	264,558	5.5%
Property/casualty insurance	**2,204,860**	**2,083,172**	**5.8%**
Sureties	**3,402**	**4,286**	**− 20.6%**
Accepted reinsurance	**31,420**	**29,621**	**6.1%**
Total written premiums	**12,080,412**	**11,943,929**	**1.1%**
of which life insurance gross written premiums	8,304,648	8,366,162	
of which non-life insurance gross written premiums	3,775,764	3,577,767	

4.8.2 Revenue by geographical area

											12/31/2019
(in thousands of euros)	France	Luxembourg	Belgium	Portugal	Spain	Czech Republic	Italy	Hungary	Slovakia	Germany	Total
Life insurance	8,004,401	42,382	101,572	23,827	126,089	1,022	1,506	3,827	22	0	8,304,648
Non-Life Insurance	3,369,812	743	55,602	2,296	346,531	467	54	257	2	0	3,775,764
TOTAL	**11,374,213**	**43,125**	**157,174**	**26,123**	**472,620**	**1,489**	**1,560**	**4,084**	**24**	**0**	**12,080,412**

											12/31/2018
(in thousands of euros)	France	Luxembourg	Belgium	Portugal	Spain	Czech Republic	Italy	Hungary	Slovakia	Germany	Total
Life insurance	7,974,375	75,605	122,991	14,951	172,295	1,056	1,668	3,206	15	0	8,366,162
Non-Life Insurance	3,173,240	1,377	58,313	1,942	342,194	451	51	197	2	0	3,577,767
TOTAL	**11,147,615**	**76,982**	**181,304**	**16,893**	**514,489**	**1,507**	**1,719**	**3,403**	**17**	**0**	**11,943,929**

4.8.3 Investment income net financial revenues

(in thousands of euros)	Investment income	Investment expenses	Realized gains and losses net of reversals and provisions	Change in impairment	Change in fair values	Total
						12/31/2019
Assets held to maturity	234,619	− 518		0		320,454
Available-for-sale assets	1,951,961	− 11,989	254,708	− 22,884		2,171,796
Assets at fair value through profit or loss on option	351,000		505,523		1,768,774	2,625,297
Investment property	9,348		− 343	− 1,747		7,258
Loans and receivables	7,704	− 4,443		− 49		3,212
Derivatives	2,830		− 100			2,730
Investments in associates	12,839		86,353			12,839
Other	128,380	− 29,257	3,941	16		103,080
Total	**2,698,681**	**− 46,207**	**850,082**	**− 24,664**	**1,768,774**	**5,246,666**

* Capital gain realized on the disposal of RMA shares.

(in thousands of euros)	Investment income	Investment expenses	Realized gains and losses net of reversals and provisions	Change in impairment	Change in fair values	Total
						12/31/2018
Assets held to maturity	152,832	− 730	10,197	0		162,300
Available-for-sale assets	2,106,680	− 12,784	201,855	− 33,730		2,262,021
Assets at fair value through profit or loss on option	313,342		− 235,950		− 1,049,604	− 972,212
Investment property	10,490		− 12	− 1,859		8,620
Loans and receivables	10,161	− 4,932		− 12		5,218
Derivatives	173		− 851			− 678
Investments in associates	13,188					13,188
Other	171,596	− 52,430	2,827	12		122,005
Total	**2,778,463**	**− 70,875**	**− 21,934**	**− 35,589**	**− 1,049,604**	**1,600,461**

4.8.4 Insurance policy servicing expenses

				12/31/2019
(in thousands of euros)	Life insurance contracts France	Non life insurance contracts France	International insurance contracts	Total
Claims paid to policyholders	− 5,901,300	− 2,159,398	− 681,529	− 8,742,227
Changes in insurance provisions	− 3,326,039	− 546,724	115,042	− 3,757,721
Changes in provisions for profit-sharing	− 1,737,824	2,860	− 24,405	− 1,759,369
Changes in provisions for deferred profit-sharing	22,869	8,667	0	31,536
Changes in other technical provisions	305	6,422	− 3,088	3,639
Total	**− 10,941,989**	**− 2,688,173**	**− 593,980**	**− 14,224,143**

				12/31/2018
(in thousands of euros)	Life insurance contracts France	Non life insurance contracts France	International insurance contracts	Total
Claims paid to policyholders	− 5,700,096	− 2,073,032	− 925,034	− 8,698,162
Changes in insurance provisions	− 1,797,895	− 257,218	440,782	− 1,614,331
Changes in provisions for profit-sharing	− 274,484	5,399	53,033	− 216,051
Changes in provisions for deferred profit-sharing	− 2,970	− 3,115	0	− 6,085
Changes in other technical provisions	− 115	21,577	− 3,746	17,716
Total	**− 7,775,560**	**− 2,306,389**	**− 434,965**	**− 10,516,913**

4.8.5 Management expenses

By function

(in thousands of euros)	2019	2018
Acquisition costs*	1,301,321	1,234,783
Administration costs	537,241	495,843
Claims management expenses	198,285	192,201
Other technical expenses	118,540	113,479
Investment management expenses	12,031	12,247
Other income and expenses	50,585	46,104
Total	**2,218,003**	**2,094,657**

* Excluding change in deferred acquisition costs.

By type

(in thousands of euros)	2019	2018
Commissions	1,591,073	1,510,526
Employee benefits	266,649	255,849
Taxes and duties	60,258	55,695
Other current operating expenses	295,649	268,356
Depreciation and amortization	4,374	4,231
Total	**2,218,003**	**2,094,657**

4.8.6 Statutory auditors' fees

(in thousands of euros)	Mazars	Deloitte	PWC	KPMG	Gross-Hugel	Other	Total
							12/31/2019
Statutory audit, certification, review of individual and consolidated financial statements	410	184	357	792	251	166	2,160
Non-audit services	135	20	0	62	0	0	217
Total	**545**	**204**	**357**	**854**	**251**	**166**	**2,377**

(in thousands of euros)	Mazars	Deloitte	PWC	KPMG	Gross-Hugel	Other	Total
							12/31/2018
Statutory audit, certification, review of individual and consolidated financial statements	876	166	83	656	293	153	2,228
Non-audit services	139	33	0	1	2	9	184
Total	**1,015**	**199**	**83**	**657**	**295**	**162**	**2,412**

4.8.7 Income and expenses net of reinsurance

(in thousands of euros)	Life France	Non-Life France	International	Total
				12/31/2019
Premiums ceded (including change in provisions for premiums)	− 3,830	− 83,634	− 9,000	− 96,464
Benefits and fees ceded (including change in claims)	504	81,539	4,237	86,280
Other technical provisions ceded	− 216	20,173	5	19,962
Commissions received from reinsurers	377	2,925	2,096	5,398
Net profit (loss) from reinsurance	**− 3,165**	**21,003**	**− 2,662**	**15,176**

(in thousands of euros)	Life France	Non-Life France	International	Total
				12/31/2018
Premiums ceded (including change in provisions for premiums)	− 3,685	− 82,561	− 7,439	− 93,685
Benefits and fees ceded (including change in claims reserves)	684	19,208	4,424	24,316
Other technical provisions ceded	244	16,913	258	17,415
Commissions received from reinsurers	399	7,165	1,892	9,456
Net profit (loss) from reinsurance	**− 2,358**	**− 39,275**	**− 865**	**− 42,498**

4.8.8 Income tax expense

(in thousands of euros)	12/31/2019	12/31/2018
Current taxes	− 357,755	− 396,600
Deferred taxes	− 16,569	− 26,184
Total	**− 374,324**	**− 422,785**

4.8.9 Reconciliation between the recognized income tax expense and the theoretical income tax expense

	12/31/2019	
(in thousands of euros)	In %	Amount
Profit (loss) before tax, goodwill impairment and profit (loss) from equity-consolidated companies		1,248,989
Theoretical income tax expense	34.43%	430,027
Dividends parent/subsidiary regime	− 0.68%	− 8,488
Non-taxable gains on disposals - RMA	− 2.38%	− 29,731
Deferred taxes on venture capital funds (FCPR)	− 0.44%	− 5,454
Deferred tax liability on property division restructuring	− 0.02%	− 220
Prior corporate income taxes and tax credits	− 0.56%	− 6,961
Tax rate differences	− 0.58%	− 7,244
Other	0.19%	2,395
Effective tax	**29.97%**	**374,324**

	12/31/2018	
(in thousands of euros)	In %	Amount
Profit (loss) before tax, goodwill impairment and profit (loss) from equity-consolidated companies		1,259,764
Theoretical income tax expense	34.43%	433,737
Long-term capital gains on disposals of non-consolidated securities	0.01%	75
Dividends parent/subsidiary regime	− 1.59%	− 20,051
Deferred taxes on venture capital funds (FCPR)	− 0.16%	− 2,068
Deferred tax liability on property division restructuring	− 0.09%	− 1,098
Prior corporate income taxes and tax credits	− 0.51%	− 6,475
Tax rate differences	1.44%	18,112
Other	0.04%	549
Effective tax	**33.56%**	**422,781**

4.9 Workforce

(Full-time equivalent workforce)	12/31/2019	12/31/2018
France	2,746	2,725
International	908	926
Total	**3,654**	**3,651**

4.10 Employee benefits

(in thousands of euros)	Closing 2018	Effect of discounting	Income financial	Cost of benefits rendered	Transfer mobility	Change actuarial differences Fin. Assump.	Change actuarial differences Assump demog.	Change in actuarial differences of experience	Payment to beneficiaries	Contributions insurance	Closing 2019
Commitment amount	32,297	460		1,617	− 1	2,653	65	696	− 1,383		36,404
Provisions for contingencies and expenses	32,328	93	440	3	− 52	265	0	106	− 1,332	4,785	36,635

4.11 Commitments given and received

(in thousands of euros)	12/31/2019	12/31/2018
Commitments received	**7,411,014**	**5,186,725**
Bank sureties guaranteeing loans	451,970	447,970
Commitments received on assets (*caps*, *floors*, *reverse repo*, *swaps*)	6,912,525	4,642,279
Commitments on property assets	40,166	95,737
Guarantees and sureties	6,353	739
Commitments given	**3,928,702**	**2,575,014**
Commitments on assets or revenue	3,689,650	2,288,475
Pledges	30,386	9,590
Commitments on property assets	41,451	95,737
Term commitments	400	125,596
Guarantees and sureties	7,128	7,128
Other commitments given	159,687	48,488
Securities received as pledges from reinsurers and retrocessionaires	**148,311**	**136,530**

4.12 Scope of consolidation

Scope of consolidation	Country	Method of consolidation	12/31/2019		12/31/2018	
			Control	Interest	Control	Interest
Parent company						
GACM SA	France	Fully-consolidated	100.00%	100.00%	100.00%	100.00%
Insurance companies						
ACM IARD SA	France	Fully-consolidated	96.53%	96.53%	96.53%	96.53%
ACM VIE SAM	France	Combined company	100.00%	-	100.00%	-
ACM VIE SA	France	Fully-consolidated	99.99%	99.99%	99.99%	99.99%
MTRL	France	Combined company	100.00%	-	100.00%	-
SÉRÉNIS ASSURANCES SA	France	Fully-consolidated	99.77%	99.77%	99.71%	99.71%
PARTNERS ASSURANCES SA	Belgium	Fully-consolidated	100.00%	99.99%	100.00%	99.99%
NELB SA	Belgium	Fully-consolidated	100.00%	100.00%	100.00%	100.00%
AGRUPACIÓ AMCI D'ASSEGURANCES I REASSEGURANCES SA	Spain	Fully-consolidated	95.22%	95.22%	95.22%	95.22%
ATLANTIS VIDA, COMPAÑÍA DE SEGUROS Y REASEGUROS SA	Spain	Fully-consolidated	88.06%	89.80%	88.06%	89.80%
GACM SEGUROS GENERALES COMPAÑÍA DE SEGUROS Y REASEGUROS, SAU	Spain	Fully-consolidated	100.00%	100.00%	100.00%	100.00%
ICM LIFE SA	Luxembourg	Fully-consolidated	100.00%	99.99%	100.00%	100.00%
NELL SA	Luxembourg	Fully-consolidated	100.00%	100.00%	100.00%	100.00%
RMA SA *	Morocco	Equity-consolidated	0.00%	0.00%	22.02%	22.02%
ASTREE SA	Tunisia	Equity-consolidated	30.00%	30.00%	30.00%	30.00%
Other companies						
ACM SERVICES SA	France	Fully-consolidated	99.99%	99.99%	99.99%	99.99%
GIE ACM	France	Fully-consolidated	100.00%	100.00%	100.00%	100.00%
PROCOURTAGE SAS	France	Fully-consolidated	100.00%	100.00%	100.00%	100.00%
AGRUPACIÓ SERVEIS ADMINISTRATIUS AIE	Spain	Fully-consolidated	100.00%	95.22%	100.00%	95.22%
AMDIF SL	Spain	Fully-consolidated	100.00%	95.22%	100.00%	95.22%
ASESORAMIENTO EN SEGUROS Y PREVISIÓN ATLANTIS, SL	Spain	Fully-consolidated	80.00%	80.00%	80.00%	80.00%
ASISTENCIA AVANÇADA BCN SL	Spain	Fully-consolidated	100.00%	95.22%	100.00%	95.22%
ATLANTIS ASESORES SL	Spain	Fully-consolidated	80.00%	80.00%	80.00%	80.00%
ATLANTIS CORREDURÍA DE SEGUROS Y CONSULTORÍA ACTUARIAL, SA	Spain	Fully-consolidated	60.00%	60.00%	60.00%	60.00%
GACM ESPAÑA SA	Spain	Fully-consolidated	100.00%	100.00%	100.00%	100.00%
TARGOPENSIONES, ENTIDAD GESTORA DE FONDOS DE PENSIONES SA	Spain	Fully-consolidated	100.00%	95.22%	100.00%	95.22%
TARGOSEGUROS MÉDIACIÓN SA	Spain	Fully-consolidated	90.00%	88.26%	90.00%	88.26%
Property companies						
FONCIÈRE MASSÉNA SA	France	Fully-consolidated	100.00%	99.74%	100.00%	99.74%
SCI ACM	France	Fully-consolidated	100.00%	99.70%	100.00%	99.70%
SCI ACM COTENTIN	France	Fully-consolidated	100.00%	99.99%	100.00%	100.00%
SCI ACM PROVENCE LA FAYETTE	France	Fully-consolidated	100.00%	99.83%	100.00%	99.83%
SCI ACM SAINT AUGUSTIN	France	Fully-consolidated	100.00%	99.83%	100.00%	99.83%
SCI ACM TOMBE ISSOIRE	France	Fully-consolidated	100.00%	99.99%	100.00%	99.99%
SCI ACM 14 RUE DE LONDRES	France	Fully-consolidated	100.00%	99.83%	100.00%	99.83%

* Company sold in 2019

In accordance with the definition of control set out in IFRS 10, GACM does not include in its scope of consolidation any mutual funds over which it does not exercise control.

4.13 Non-consolidated equity investments

The total of GACM's non-consolidated equity investments amounted to €2,402,469 thousand.

The largest equity investments are detailed in the following table:

Name	Location of registered office	12/31/2019				12/31/2018
		Balance sheet value	Holding	Profit (loss)	Equity	Balance sheet value
CAISSE FÉDÉRALE DE CRÉDIT MUTUEL	Strasbourg	739,452	12%	106,646	6,457,228	739,452
CERTAS, Cie d'assurances Auto et Habitation - Ordinary shares CERTAS, Cie d'assurances Auto et Habitation - Ordinary shares	Quebec	78,110 48,360	10% 21%	5,823	799,667	78,110 48,360
CERTAS DIRECT, Cie d'assurances ltée - Preferred shares CERTAS DIRECT, Cie d'assurances ltée - Preferred shares	Quebec	15,070 5,330	10% 21%	21,420	119,784	14,460 4,980
DESJARDINS, Assurances Générales inc. - Ordinary shares DESJARDINS, Assurances Générales inc. - Preferred shares	Quebec	52,750 12,160	10% 21%	21,558	348,121	43,600 11,380
DESJARDINS, Services d'assurances Générales, inc.	Quebec	74,670	10%	35,838	24,470	25,460
LA PERSONNELLE Cie d'assurances du Canada - Ordinary shares LA PERSONNELLE Cie d'assurances du Canada - Preferred shares	Quebec	57,540 10,060	10% 21%	29,877	296,687	39,720 9,410
LA PERSONNELLE, Assurances Générales inc. - Ordinary shares LA PERSONNELLE, Assurances Générales inc. - Preferred shares	Quebec	15,240 2,970	10% 21%	7,140	109,732	15,240 2,970
MUTUELLES INVESTISSEMENTS SAS	Strasbourg	98,391	10%	58,884	983,915	98,391

4.14 Risk management

4.14.1 Technical risk management

Technical risk management covers all the risks that an insurer takes when marketing insurance contracts:

- premium risk;
- provisioning risk;
- catastrophic risk.

The inverted cycle that characterizes the insurance sector makes it necessary to monitor this technical risk over time.

Generally speaking, GACM's insurance companies underwrite a whole range of "simple" risks from individuals and SMEs.

Note in particular the following risks relating to non-life insurance companies:

- bodily injury: incapacity, disability, care costs, dependency, accidental death;
- motor: damages and liability insurance;
- personal and professional risks: fire, explosion, damage due to natural elements, natural disasters;
- general liability for individuals and professionals;
- miscellaneous pecuniary losses;
- legal assistance.

For life insurance companies: all transactions relating to life, death, capitalization transactions, and management of point-based pension plans.

Technical risk management is based around the following main pillars:

- the business units that handle sales development and pricing;
- the actuarial-technical forecasting department, which coordinates the calculation of provisions for the corporate balance sheets;
- management control, including reporting and fund analyses to monitor this technical risk throughout its term;
- the reinsurance department, which identifies all the risks to be outsourced, defines the appropriate coverage program and places it on the market;
- the key actuarial function, which is responsible for the actuarial coordination of the various business divisions, coordinating the calculation of technical reserves and issuing an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements;
- the key risk management function, which is responsible for coordinating the risk management system and ensuring that senior management approves the overall level of risks incurred by the Group companies and understands the consequences of the occurrence of these risks on the projected solvency and profitability of the Group.

4.14.2 Financial risk management

The financial risk management policy aims to establish an asset structure in line with liability commitments.

The investment and management rules and limits set are the first step in managing financial risks. This set of rules is described in the Group's investment risk management policy and takes into account the obligation relating to the "prudent person" principle. Financial risk management covers all of the following risks:

- interest rate risk;
- equity and other volatile asset risks;
- property risk;
- credit risk;
- foreign exchange risk;
- liquidity risk;
- counterparty risk (within the meaning of Solvency II).

It is based around several services:

- the asset-liability management (ALM) service, which defines strategic asset allocations based on liability constraints in order to limit interest rate risk, equity risk and property risk;
- financial risk management, which builds a set of limits and internal rules aimed at limiting exposure to liquidity, credit and counterparty risks (within the meaning of Solvency II);
- asset managers, who define tactical allocations and manage asset portfolios, while taking into account the constraints set by ALM and financial risk management;
- the Financial Risk Control Department, which ensures, *a posteriori* compliance with the limits set;
- the key risk management function.

Market risk

Given the preponderance of the savings activities of the life insurance company in France and abroad, GACM is particularly concerned by market risks, given the very large volume of financial assets representing commitments to policyholders.

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

These risks notably impact the valuation of the assets in the portfolio, their long-term return and must be managed in close connection with liability matching and, in particular in life insurance, the guarantees granted to policyholders (minimum guaranteed rate, minimum guarantee, etc.).

GACM's market risk management is currently organized around individual control of certain financial risks deemed to be major (interest rate risk, equity risk, credit risk, liquidity risk, etc.) and an overall risk analysis designed to protect the Group against the simultaneous occurrence of several such risks.

GACM uses three types of tools to monitor market risks:

- balance sheet management models;
- a risky asset allocation model;
- asset/liability analyses of portfolios.

<u>Balance sheet management models</u>

These are balanced, forward-looking and accounting models.

They aim to depict the evolution of the company's balance sheet according to deterministic or stochastic scenarios.

In deterministic mode, they project projected operating accounts as well as the main balance sheet items.

They also provide a projection of all the components of the solvency margin. As such, they make it possible to measure the projected margin requirements in order to carry out, if necessary, the appropriate financial transactions.

In stochastic mode, financial variables (yield curve and equity market performance, alternative management and property) and technical variables (claims experience and claims settlement rate for non-life insurance) are simulated. Each simulation corresponds to a scenario involving changes in interest rates, financial markets, claims experience and the rate at which claims are settled, which leads to changes in the market value of the assets and financial statements of the Group's companies.

A large number of simulations are used to establish a statistical distribution of accounting and economic indicators.

These models are used to define asset allocations, perform ALM studies and produce Solvency II calculations.

<u>Risky asset allocation model</u>

The allocation model makes it possible to determine the optimal allocations of the main risky assets (equities, venture capital, alternative management, listed property, etc.) over a one-year period, taking into account the financial and accounting position of the companies in the Group as well as regulatory and competitive constraints.

This approach makes it possible to define annual investment envelopes by major asset class.

<u>Asset/liability analyses of portfolios</u>

These studies are carried out every six months, by each management group within each company. They provide information to asset managers to guide their investments.

This information is on several levels:

- asset and liability cash flow projections;
- monitoring asset and liability durations;
- liability breakdown and monitoring of minimum rate commitments;
- portfolio composition by major asset classes;
- bond portfolio composition by sector and rating, and monitoring average rating;
- deadweight actions.

Interest rate risk

Type of exposure and risk management

In life insurance, interest rate risk mainly concerns savings in euros. It takes two forms:

- a risk of rising interest rates: due to the inertia of the portfolio's rate of return, in the event of a rise in interest rates, the rate paid by the insurer on euro-denominated contracts may initially be well below market rates. The phenomenon is all the more important if the rise in rates is sharp and sudden. Policyholders may then decide to surrender their policy to invest their savings in a competing product. These redemptions, if they become significant, may force the insurer to sell its bonds and realize capital losses;
- a downside risk: if rates fall, the rate of return on the asset is diluted. The risk for the insurer is that it will no longer be able to pay the minimum guaranteed rates on euro savings contracts.

In non-life insurance, the interest rate risk is manifested by:

- the emergence of unrealized capital losses in the event that rates rise;
- the loss of income on new investments as well as an increase in certain technical provisions (motor liability, disability and long-term care coverage), in the event that rates drop.

The Finance Committee defines interest rate hedges within the framework of the general policy adopted by the Board of Directors of the Group companies and the Supervisory Board of GACM.

For savings portfolios, where the majority of the risk is concentrated, it is based on a methodology designed to measure the extent of interest rate movements (upward and downward movements of the yield curve) that the company can withstand while respecting the commitments made to policyholders.

When the levels of protection are deemed insufficient, the Finance Department may purchase additional financial hedges.

Interest rate sensitivity analysis

The interest rate sensitivity of GACM's bond portfolio is determined by assuming a 1% increase and decrease in interest rates:

	12/31/2019		
(in millions of euros)	**Rate shock**	**Impact profit (loss)**	**Impact equity**
Increase of 1% in the risk-free rate	− 623	− 26	− 598
Decrease of 1% in the risk-free rate	684	28	656

	12/31/2018		
(in millions of euros)	**Rate shock**	**Rate shock**	**Rate shock**
Increase of 1% in the risk-free rate	− 547	− 17	− 530
Decrease of 1% in the risk-free rate	598	18	580

The impacts are shown net of deferred profit-sharing and taxes.

The sensitivity is recorded in equity for available-for-sale securities and in profit or loss for securities classified at fair value through profit or loss.

Equity risk and similar

Type of exposure and risk management

Equities and similar assets are by nature volatile. Impairment of these assets (excluding investments representing unit-linked commitments), in accordance with the valuation method defined in article R.343-10 of the Code des assurances, will impact the financial statements of insurance companies.

In fact, the insurer may have to recognize impairments and/or a provision for liquidity risk (PRE) in the event of an unrealized loss of value on these assets, thus leading to a significant decrease in investment income.

This fluctuation in market value also introduces volatility in the valuations and consequently in the accounting provisions likely to impact the remuneration of policyholders.

Monitoring and management of "equity" risk is carried out through the risk asset allocation model. Depending on the target allocations in the other asset classes classified in R.343-10, the tool is used to determine the maximum allowable proportion of shares. This study is carried out periodically to limit excessive risk-taking. The investment budgets are approved by the Finance Committee.

The objective is to define the maximum investments in R.343-10 assets (mainly equities, alternative management, venture capital, property) which allow, even in an extreme scenario of stock market decline, to pay a minimum amount on the savings portfolios and to preserve part of the company's income.

Analysis of sensitivity to equity and similar risk

A numerical evaluation of the equity risk can be expressed by the sensitivity determined by assuming a 10% rise or fall in equities:

	12/31/2019		
(in millions of euros)	Rate shock	Rate shock	Rate shock
10% increase in equity markets	284	43	242
Decrease of 10% against the euro	− 284	− 45	− 240

	12/31/2018		
(in millions of euros)	Rate shock	Rate shock	Rate shock
10% increase in equity markets	246	44	202
10% decrease in equity markets	− 246	− 51	− 195

The impacts presented take into account the profit sharing rate of the portfolio holding the financial investments and the applicable tax rate.

These sensitivity calculations include the impact of changes in the benchmark market index on the valuation of assets at fair value.

Changes in the fair value of available-for-sale financial assets impact unrealized reserves; other items impact net profit (loss).

Foreign exchange risk

Foreign exchange risk is defined as the risk of loss due to fluctuations in the exchange rate of currencies against the euro.

GACM's asset portfolio has very little exposure to foreign currencies.

As a result, this risk remains marginal for GACM, as shown by the sensitivity to foreign exchange risk, determined by assuming a 10% rise or fall in each currency against the euro:

	12/31/2019		
(in millions of euros)	Rate shock	Rate shock	Rate shock
+10% of each currency against the euro	38	3	36
-10% of each currency against the euro	− 38	− 3	− 36

	12/31/2018		
(in millions of euros)	Shock of rates	Shock of rates	Shock of rates
+10% of each currency against the euro	30	1	29
-10% of each currency against the euro	− 30	− 1	− 29

The impacts are shown net of deferred profit-sharing and taxes.

Liquidity risk

Type of exposure and risk management

Liquidity risk is the risk of not being able to sell an asset or of selling it at a significant discount.

GACM manages liquidity risk through stress tests and liquidity gaps.

A stress test makes it possible to analyze the needs of each Group company in terms of assets that can be sold in the medium term. This study is carried out annually. The stress test results on liabilities are compared to the liquid asset positions.

One stress test showing massive redemptions within one year was also defined for the life insurance companies' savings funds in euros. The results of these sales are analyzed in the regular reports to the Group controller.

A study of long-term liquidity gaps ensures that projected flows from savings and similar liabilities over the next 15 years are covered by the projected cash flow generated by the assets plus the money market fund in the first year. No revenue is taken into account. Benefits are estimated according to the current laws. This study is carried out twice annually.

A "liquidity emergency plan" has been adopted. It recommends regular monitoring of redemptions of the Group's life insurance companies by the modeling and risk management department, prioritization of disposals according to the intensity of redemptions, and monthly meetings on liquidity in the event this risk occurs.

The result is analyzed by regular reports of the Group companies.

Maturity profile of the financial investments portfolio

Note 4.7.9 to the consolidated financial statements presents the maturity profile of GACM's bond portfolio (excluding unit-linked contracts).

Credit risk and counterparty risk

Credit risk is the risk that an issuer will default and be unable to make payments on its debt.

Credit risk management takes place on several levels:

- exposure limits by issuer. These limits take into account the issuer's rating by the main rating agencies. Exposure to the debt of the peripheral countries of the euro zone (Spain, Greece, Ireland, Italy, Portugal) has also been reduced;
- exposure limits by rating class. These limits have been adjusted to limit the impact of defaults, in 95% of cases, based on the financial strength of the company.

Counterparty risk is the risk that one of the counterparties to financial transactions (derivatives or repurchase agreements) or reinsurance transactions will not be able to meet its commitments. This section only considers the counterparty risk for financial instruments.

The following financial transactions are likely to generate counterparty risk within GACM:

- repurchase agreements;
- derivative products such as caps, swaptions, and cross currency swaps (CCS).

However, the risk is limited by the fact that these transactions are carried out only with first-rate counterparties with whom GACM has entered into daily collateral exchange agreements.

4.14.3 Capital management

For its capital management, the company establishes in the ORSA projections of results and solvency margin coverage (Solvency II framework) over five years for all insurance companies and for the consolidated financial statements of GACM.

These projections are made using a base case scenario of economic and financial assumptions, along with alternative scenarios.

Capital management is then defined according to the results of these simulations and the company's risk appetite.

Risk appetite

The company's risk appetite is defined in the following way:

- ensure that the Company’s net profit (loss) does not deviate by more than a certain percentage in an unfavorable scenario compared to the net profit (loss) of the base case scenario;
- protect a solvency ratio level (Solvency II) in all test scenarios.

Strasbourg, March 27, 2020.

For the year ended 31 December 2019

To the annual general meeting of Groupe des Assurances du Crédit Mutuel S.A,

Opinion

In compliance with the engagement entrusted to us at your Annual General Meetings, we have audited the accompanying consolidated financial statements of Groupe des Assurances du Crédit Mutuel S.A. for the year ended 31 December 2019. The financial statements were approved by the Board of Directors on 27 March 2020 on the basis of information available to date against the changing backdrop of the Covid-19 outbreak.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2019 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that our audit has provided us with sufficient appropriate information on which to base our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in accordance with the independence rules applicable to us under the French Commercial Code (*Code de commerce*) and the Code of ethics (*Code de déontologie*) for statutory auditors for the period from 1 January 2019 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Observation

Without calling into question the opinion expressed above, we draw your attention to the following matter presented in Note 4.3.8 "Insurance Contracts" to the consolidated financial statements on the reclassification of technical reserves from 'Liabilities related to unit linked financial contracts to 'Technical liabilities related to financial contracts with discretionary profit-sharing', and the reclassification of technical reserves from 'Technical liabilities related to financial contracts with discretionary profit-sharing' to 'Technical liabilities related to insurance contracts'.

This modification had no impact on net profit for the period.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, which were approved in the conditions mentioned above, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of the mathematical reserves for creditor insurance policies

Audit risk identified and main judgements

At the reporting date, mathematical reserves (including increasing risks reserves) for creditor insurance policies amounted to €814 million on the balance sheet, and reflected the difference between the respective commitments of the Company and policyholders over the term of the insurance policy.

Regulatory changes, including the Bourquin amendment and the 2017 Sapin II law, which give borrowers the freedom to change their mortgage insurer at any time during the period of the loan as long as this is done to coincide with the policy's annual renewal, were analyzed and their effects taken into account when calculating the related technical reserves.

As specified on page 78 of the notes to the consolidated financial statements:

Mathematical reserves are calculated based on homogenous policy categories by age group. Positive and negative mathematical reserves calculated on a case-by-case basis are offset within these homogenous categories.

Consequently, we deemed the mathematical reserves for creditor insurance policies to be a key audit matter.

Audit procedures in response to the risk identified

Our audit consisted in :

- Reviewing the documentation sent;
- Performing an analysis of the consistency between the method used and contractual terms and conditions;
- Analyzing the assumptions used with regard to the risks insured and applicable regulations, including the discount rate and mortality tables;
- Reviewing the actuarial formulae used;
    - The review of the end-of-policy ages used in the provisioning formula was performed by comparing the end-of-policy ages with:
        - The theoretical contractual limits (loan maturity date and theoretical age at the end of the disability and incapacity cover);
        - The age of insureds in technical reserves (to limit potential overruns).
- Assessing the level of provisions for claims incurred but not reported (IBNR);
- Performing a run-off analysis of the reserves booked as at 31 December 2018.

Measurement of claims reserves (including IBNR and other provisions) for bodily injury claims in connection with auto insurance policies

Audit risk identified and main judgements

Reserves for bodily injury claims in connection with auto insurance policies correspond to incurred but not paid claims (both principal and related charges) and include an estimate of IBNR or late policy payouts. The reserves appear on the balance sheet in an amount including €921 million for ACM IARD, as shown in the notes to the consolidated financial statements of GACM.

Measurement of these reserves requires professional judgment on the part of Management, as well as consideration of changing industry benchmarks (Gazette du Palais, BCIV, etc.), to measure damages.

Given the relative weight of these reserves on the balance sheet and the degree of judgment exercised by Management, we deemed measurement of these reserves to be a key audit matter.

Audit procedures in response to the risk identified

Our audit included reviewing:

- the assumptions used to calculate the reserves and their compliance with regulations in force at 31 December 2019;
- the methods used to calculate the various reserves;
- auto insurance bodily injury cases, by interviewing the case managers;
- reserves calculated for auto insurance bodily injury claims by GACM, by:
    - analyzing actuarial methods and assumptions;
    - reviewing documentation sent;
    - conducting an independent assessment of IBNR;
    - performing a run-off analysis as at 31 December 2018.

Classification, measurement and impairment of financial investments

Audit risk identified and main judgements

Financial assets, derivative instruments and the methods used to classify and measure them at the end of the reporting period are outlined in Note 4.3.5 "Financial instruments" and Note 4.3.6 "Fair value determination of financial instruments" to the consolidated financial statements.

Investments classified as available-for-sale are measured at fair value at the end of the reporting period. Fair value changes are recognized directly in equity, taking into account the shadow accounting and the deferred tax effects.

Financial assets at fair value through profit or loss are measured at fair value at the end of the reporting period. They are recognized directly in profit or loss, taking into account the shadow accounting and the deferred tax effects.

Loans and receivables and held-to-maturity investments are recognized at amortized cost.

In the three-level fair value hierarchy, level 3 comprises all assets measured using inputs not based on observable market data. Fair value can be determined from internal measurement models derived from standard models or from external providers measurement without reference to an active market.

The measurement of investments used to determine the impairment could not reflect market value.

Given the €134.5 billion of financial investments, their relative weight on the balance sheet (96%), and the degree of judgment required on the part of Management, particularly as regards the measurement of assets based on unobservable

For the year ended 31 December 2019

market inputs, we deemed the measurement and impairment of financial investments to be a key audit matter.

Audit procedures in response to the risk identified

To assess the reasonableness of the measurement and impairment of financial investments, we performed the following work based on the information provided to us:

- We assessed the internal control environment relating to the measurement process, particularly the implementation and effectiveness of key controls;
- We assessed the consistency of measurement by performing an external measurement using our pricing tool for listed securities; for structured products, we called upon our specialized unit to perform a comparative measurement on a sample of structured products. For unlisted securities, we performed substantive procedures on a selection of lines;
- We reviewed provisions for impairment, ensuring that the applicable rules under IFRS were correctly applied;
- We examined and substantiated counterparty risk based on changing stock market values;
- We controlled wash sales and their impacts on the financial statements;
- We examined and substantiated classification changes between the three levels of the fair value hierarchy and various intended holding periods;
- We examined the financial disclosures required under IFRS 7 in the notes to the financial statements;
- We ensured the consistency of the shadow accounting effect recognized with regard to the fair value of assets.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the Management Board's management report dated 27 March 2020. With regard to events that took place in the financial year and subsequent events relating to the effects of Covid-19, Management has informed us that they will be communicated at the Annual General Meeting held to approve the financial statements.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Groupe des Assurances du Crédit Mutuel S.A. at the annual general meeting of 3 May 2017 for KPMG S.A. and 22 May 2002 for Gross Hugel.

As at 31 December 2019, KPMG S.A. was in the third year of total uninterrupted engagement and Gross Hugel in its 18th year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit, and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

For the year ended 31 December 2019

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537-2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontoglogie*) for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors,

Paris La Défense, 17 April 2020
KPMG SA
Francine Morelli
Partner

Strasbourg, 17 April 2020
Cabinet Gross-Hugel
Frédéric Lugnier
Partner