

# MANAGEMENT REPORT

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→ GROUPE DES ASSURANCES DU CRÉDIT MUTUEL SA

2019



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## GACM SA

a *société anonyme* (French limited company)  
with a Management Board and a Supervisory  
Board with a capital of €1,241,034,904.00  
RCS STRASBOURG B 352 475 529

Registered office: 4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg, France

## SUPERVISORY BOARD AT DECEMBER 31, 2019

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### Chairperson

Mr. Nicolas Théry

### Vice-Chairperson

Mr. Jean-Pierre Babel

### CAISSE RÉGIONALE DU CRÉDIT MUTUEL DU CENTRE

represented by Ms. Isabelle Ogee

### BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL

represented by Ms. Christelle Dantras

### CAISSE FÉDÉRALE DE CRÉDIT MUTUEL

represented by Mr. Éric Petitgand

### CAISSE RÉGIONALE DE CRÉDIT MUTUEL DE LOIRE-ATLANTIQUE ET DU CENTRE-OUEST

represented by Ms. Christine Zanetti

### CAISSE FÉDÉRALE DU CRÉDIT MUTUEL DE MAINE-ANJOU ET BASSE-NORMANDIE

represented by Mr. Jean-Loïc Gaudin

### CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE

represented by Mr. Éric Charpentier

### CAISSE FÉDÉRALE DU CRÉDIT MUTUEL OCÉAN

represented by Mr. Jean-Pierre Morin

### CAISSE RÉGIONALE DU CRÉDIT MUTUEL NORMANDIE

represented by Mr. Luc Chambaud

### CAISSE RÉGIONALE DU CRÉDIT MUTUEL MIDI ATLANTIQUE

represented by Mr. Jean-Marc Mathioudakis

### FÉDÉRATION DU CRÉDIT MUTUEL CENTRE EST EUROPE

represented by Ms. Estelle Malet

### CRÉDIT INDUSTRIEL ET COMMERCIAL

represented by Mr. Éric Cotte

### CAISSE RÉGIONALE DU CRÉDIT MUTUEL ÎLE-DE-FRANCE

represented by Mr. Raphael Rebert

### CAISSE DU CRÉDIT MUTUEL DU SUD EST

represented by Mr. Jean-Luc Robischung

### CAISSE RÉGIONALE DU CRÉDIT MUTUEL DAUPHINÉ – VIVARAIS

represented by Mr. Christophe Plantaz

### CAISSE RÉGIONALE DU CRÉDIT MUTUEL MÉDITERRANÉEN

represented by Mr. Maurice Zirnhelt

### CAISSE RÉGIONALE DU CRÉDIT MUTUEL ANJOU

represented by Ms. Isabelle Pitto

## MANAGEMENT BOARD

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**Chairperson**

Mr. Pierre Reichert

**Deputy Chief Executive Officer**

Ms. Catherine Allonas Barthe

**Member**

Mr. Daniel Baal

**Member**

Mr. François Martin

## STATUTORY AUDITORS

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**Cabinet Gross-Hugel**

Mr. Frédéric Lugnier

Main Statutory Auditor

As the present term of office expires, the appointment of a statutory auditor will be proposed at the Combined General Meeting on May 6, 2020.

**Ms. Isabelle Labat-Scheer**

Alternate statutory auditor

This term of office has expired and will not be replaced.

**Cabinet KPMG SA**

Ms. Francine Morelli

Main Statutory Auditor

## SOCIAL AND ENVIRONMENTAL IMPACT

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In accordance with Articles L.225-102-1 and R.225-104 of the Code de commerce (French Commercial Code), the Company is required to disclose, in the management report, a statement of non-financial performance (*Déclaration de performance extra-financière*, hereinafter referred to as the "DPEF") as soon as its revenue or statement of financial position exceeds €100 million and its workforce exceeds 500 employees.

As GACM SA is part of Crédit Mutuel Alliance Fédérale, the DPEF is produced at the level of the parent company (Confédération Nationale du Crédit Mutuel) and included in the management report on the consolidated financial statements.

Work in this area is being carried out by a working group set up by the Confédération Nationale du Crédit Mutuel. GACM SA implements the actions selected in this area.

## HIGHLIGHTS OF THE YEAR

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### **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 €31 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.

## MANAGEMENT REPORT 2019

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The Groupe des Assurances du Crédit Mutuel – GACM SA – is an insurance group company within the meaning of Article L. 322-1-2 of the Code des assurances (French Insurance Code), whose main business consists of acquiring and managing equity investments mainly in insurance companies and reinsurance. GACM SA has no operational activities of its own.

GACM SA is thus the parent company:

- of life insurance companies:
  - ACM VIE SA (mixed);
  - North Europe Life Belgium (NELB) SA incorporated under Belgian law;
  - Nord Europe Life Luxembourg (NELL) SA incorporated under Luxembourg law;
  - and International Crédit Mutuel Life (ICM LIFE) SA incorporated under Luxembourg law.
  
- of non-life insurance companies:
  - ACM IARD SA;
  - Sérénis Assurances SA;
  - Partners Assurances SA under Belgian law.

- the holding company GACM España SA incorporated under Spanish law;
- various service companies such as Procourtage SAS and ACM SERVICES SA.

GACM SA also holds equity investments in other companies:

- 10.0% of the share capital of six Canadian insurance companies of the Desjardins Group;
- 30.0% of the capital of the Tunisian insurance company Astree SA.

Non-capitalized entities, Assurances du Crédit Mutuel Vie SAM, a mutual insurance company, and MTRL, a mutual insurance company listed in Book II of the Code de la mutualité (French Mutual Insurance Code), are bound by GACM affiliation agreements. They are an integral part of the Group and are therefore included in the GACM consolidated financial statements.

### **Disposal of RMA securities**

During the second half of 2019, GACM SA sold its entire stake of 22.02% of the capital of the company Royale Marocaine d'Assurance.

## PROFIT (LOSS) FOR THE PERIOD

The profit for 2019 amounted to €1,777.7 million, up 481.22% compared to the previous year (€369.4 million).

	<i>in millions of euros</i>			
	2019	2018	Var.	Chg. (%)
Operating income	0	0	0.0	n/a
Finance income	1,809.8	311.7	1,498.0	480.5%
<i>of which finance income from equity investments</i>	1,705.4	289.9	1,415.5	488.2%
<i>of which other interest and similar income</i>	0.2	0.0	0.2	n/a
<i>of which positive currency differences</i>	0.6	0.0	0.6	n/a
<i>of which reversals of provisions on equity investments</i>	103.5	21.8	81.7	375.1%
Non-recurring income	198.3	76.1	122.2	160.5%
<b>Total income</b>	<b>2,008.1</b>	<b>387.9</b>	<b>1,620.2</b>	<b>417.7%</b>
Operating expenses	0.5	1.7	- 1.2	- 72.4%
Financial expenses	2.3	1.3	1.1	84.0%
<i>of which provisions for impairment</i>	0	0	0	
Non-recurring expenses	220.9	11.6	209.3	1,803.6%
Income tax	6.7	3.9	2.8	72.1%
<b>Total expenses</b>	<b>230.4</b>	<b>18.5</b>	<b>211.9</b>	<b>1,147.1%</b>
<b>Net profit (loss)</b>	<b>1,777.7</b>	<b>369.4</b>	<b>1,408.3</b>	<b>481.2%</b>

Net profit was up between the two fiscal years, due in particular to the exceptional dividends paid by the subsidiaries ACM VIE SA (€851.3 million) and ACM IARD SA

(€362.4 million), and the gain from the disposal of the RMA shares (€81.0 million, net of the reversal of provisions for impairment).



## TAXATION

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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 income tax expense recognized in the financial statements as of December 31, 2019 amounted to €6.7 million (€3.9 million in 2018).

## BALANCE SHEET AT DECEMBER 31, 2019

### Detail of assets

*(in millions of euros)*

	2019	2018	Chg. %
Financial investments	4,067.9	4,180.2	- 2.7%
Receivables	89.3	80.8	10.4%
Marketable securities	60.1	272.1	- 77.9%
Cash	197.3	0.2	n/a
<b>Total</b>	<b>4,414.6</b>	<b>4,533.3</b>	<b>- 2.6%</b>

### Statement of changes in equity

	2018	Appropriation of profit (loss) 2018	Other changes 2019	2019
Share capital	1,241.0			1,241.0
Merger premiums	926.8		- 777.9	148.9
Contribution premiums	1,005.5			1,005.5
Legal reserves	124.1			124.1
Other reserves	1.8			1.8
Retained earnings	734.2	- 111.0	- 623.2	0
Profit (loss) for the period	369.4	- 369.4	1,777.7	1,777.7
<b>Total shareholders' equity</b>	<b>4,402.8</b>	<b>- 480.4</b>	<b>376.6</b>	<b>4,299.0</b>
<b>Dividends</b>		<b>1,881.6</b>		

### Balance sheet analysis

At December 31, 2019, the balance sheet totaled €4,414.6 million (€4,533.3 million at end 2018).

Shareholders' equity before appropriation amounted to €4,299.0 million compared to €4,402.8 million at the end of 2018.

The profit for 2018 of €369.4 million and the retained earnings of €734 million, i.e., a distributable profit of €1,103.6 million, was appropriated as follows:

- distribution of a dividend on the distributable profit of €480.4 million, i.e., a dividend of €6.00 per share.

In addition, the General Meeting decided to distribute an exceptional dividend of €1,401.2 million, or €17.50 per share. This exceptional dividend was deducted from the remainder of the distributable profit for €623.2 million, and from the merger premium for €777.9 million.

The net amount of equity investments, listed in the notes to the financial statements, was down by €112.2 million, due to the disposal of shares in RMA.

The marketable securities item is mainly composed of cash UCITS.

### 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 RMA.

**Customer and supplier payment terms**

	Article D. 441 I. - 1° of the Code de commerce: Invoices received and not paid by the reporting date, whose term has expired						Article D. 441 I. - 2° of the Code de commerce: Invoices issued but not paid by the reporting date, whose term has expired					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
<b>(A) Late payment tranche</b>												
Number of invoices concerned						2						
Total amount of invoices concerned including tax	€0	€601.02	€601.02	€0	€0	€0						
Percentage of the total amount of purchases during the year including tax		0.11%	0.11%									
Percentage of the revenue of the fiscal year tax included												
<b>(B) Invoices excluded from (A) relating to disputed or unrecognized debts and receivables</b>												
Number of invoices excluded							1					
Total amount of invoices excluded (specify excl. or incl. tax)							€8,703.53 incl. tax					
<b>(C) Reference payment terms used (contractual or legal deadline – Article L. 441-6 or Article L. 443-1 of the Code de commerce)</b>												
Payment terms used for the calculation of payment delays	- Contractual terms: 30 days end of month on the 10th - Legal terms: 60 days end of month						- Contractual terms: 0 days - Legal terms: 60 days end of month					

## AMOUNTS DISTRIBUTED OVER THE LAST THREE FISCAL YEARS

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In accordance with Article 243 bis of the Code général des impôts (French General Tax Code), the amounts distributed over the last three fiscal years are as follows:

- for fiscal year 2018: €23.50 per share;
- for fiscal year 2017: €4.20 per share;
- for fiscal year 2016: €3.50 per share.

## SHARE CAPITAL INFORMATION

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As of December 31, 2019, the subscribed capital consisted of 80,066,768 fully paid-up shares of €15.50 each of the same class, representing a total capital of 1,241.1 million.

The Company's main shareholders at December 31, 2019 were:

- Banque Fédérative du Crédit Mutuel (BFCM): 50.0% of the share capital;
- Crédit Industriel et Commercial (CIC): 16.1% of the share capital;
- Caisse Fédérale du Crédit Mutuel Nord Europe: 10.2% of the share capital;
- Caisse Fédérale du Crédit Mutuel MABN: 7.4% of the share capital;
- Caisse Fédérale du Crédit Mutuel Loire-Atlantique et du Centre-Ouest: 5.4% of the share capital;
- Caisse Fédérale du Crédit Mutuel Océan: 2.9% of the share capital.

## **TERMS OF OFFICE OF THE MEMBERS OF THE SUPERVISORY BOARD AND CORPORATE OFFICES**

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### **Chairmanship and management**

#### **Supervisory Board**

##### **Chairperson of the Supervisory Board**

Mr. Nicolas Théry

##### **Vice-Chairperson of the Supervisory Board**

Mr. Jean-Pierre Babel

#### **Management Board**

##### **Chairperson**

Mr. Pierre Reichert

##### **Deputy Chief Executive Officer**

Ms. Catherine Allonas Barthe

##### **Member**

Mr. Daniel Baal

##### **Member**

Mr. François Martin

### **Supervisory Board at December 31, 2019**

CRCM Midi Atlantique appointed Mr. Jean-Marc Mathioudakis as permanent representative effective May 1, 2019 to replace Mr. Sylvain Besancon.

CFCM Océan appointed Mr. Jean-Pierre Morin as permanent representative effective May 17, 2019 to replace Mr. Luc Cortot.

Lastly, CIC was co-opted as a member of the Supervisory Board, effective November 14, 2019, replacing ADEPI, which resigned. CIC has appointed Mr. Éric Cotte as permanent representative.

### **Management Board at December 31, 2019**

During the fiscal year ended on December 31, 2019, no change occurred in the composition of the Management Board.

### **Corporate officers**

The list of offices and positions held during the financial year by Mr. Pierre Reichert, Chairperson of the Management Board, by Ms. Catherine Allonas Barthe, member of the Management Board and Deputy Chief Executive Officer, Mr. Daniel Baal and Mr. François Martin, members of the Management Board, as well as the members of the Supervisory Board, are shown in the appendix.

During the fiscal year, Messrs. Pierre Reichert, Daniel Baal and François Martin, as well as Ms. Catherine Allonas Barthe, did not receive any compensation or benefits in kind for their office from GACM SA or any other company controlled by GACM SA within the meaning of Article L.233-16 of the Code de commerce.

GACM SA has not granted any stock options to its corporate officers.

## **TERMS OF OFFICE OF THE STATUTORY AUDITORS**

### **Main Statutory Auditors**

Cabinet Gross-Hugel, represented by Mr. Frédéric Lugnier, was renewed at the General Meeting of May 7, 2014.

As the present term of office expires, the appointment of a statutory auditor will be proposed at the Combined General Meeting on May 6, 2020.

KPMG SA, represented by Ms. Francine Morelli, was appointed at the General Meeting of May 3, 2017.

### **Alternate Statutory Auditor**

Ms. Isabelle Labat-Scheer was appointed by the Ordinary General Meeting of May 7, 2014.

## SUBSEQUENT EVENTS SINCE THE END OF THE FISCAL YEAR

### 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 DGAG bearing interest at 2.79% annually (previously CAD 13.3 million bearing interest at 3%).

The capital gain generated by GACM on the exchange of ordinary shares in the parent company separate financial statements will be determined on the basis of an independent expert appraisal and will benefit from a tax deferral.

### Coronavirus epidemic

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 the 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.

As a holding company, without its own business, GACM's corporate profit (loss) mainly consists of dividend payments from its subsidiaries, the largest of which are not listed. Consequently, it is not directly affected by market movements resulting from this health crisis.

As it stands, calculations of the solvency ratios established at regular intervals by the Group since the beginning of the pandemic have shown that the regulatory requirements have systematically been met. While the impact of this exceptional situation on the business, financial situation and profit (loss) of the Group's companies will need time to be definitively established, there is no indication at this stage that any equity investment should be impaired.

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

## OUTLOOK

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### Continuation of the strategic plan

2020 is the second year of Crédit Mutuel Alliance Fédérale's ensemble#nouveaumonde 2019-2023 strategic plan. GACM's major projects for 2020 focus more particularly on the development of the professional and corporate market. Thus, the PER product, introduced by the PACTE law, constitutes the new pension insurance offer for professionals and companies. The individual PER targets individuals, as well as self-employed workers. These two retirement offers will be marketed in the first quarter of 2020.

A new group protection offer will be rolled out gradually from the third quarter of 2020. Structured around numerous services and adapted to a large number of collective agreements, this offer is aimed at a large number of corporate clients and their employees.

2020 was also the year of the launch of the distribution of property & casualty insurance in the "Corporate" market, with a motor fleet offering available at certain banks from February 2020 and throughout the corporate network from September 2020.

COMPANY PROFIT (LOSS) OVER THE LAST FIVE FISCAL YEARS

(in millions of euros)

	2015	2016	2017	2018	2019
<b>Share capital at year-end</b>					
Share capital	1,118.8	1,118.8	1,118.8	1,241.0	1,241.0
Number of shares issued	72,180,191	72,180,191	72,180,191	80,066,768	80,066,768
<b>Transactions and profit (loss) for the fiscal year</b>					
Profit (loss) before tax, employee profit-sharing, depreciation, amortization and provisions	372.4	399.1	339.2	373.3	1,784.5
Income tax	2.1	1.9	15.3	3.9	6.7
Employee profit-sharing for the fiscal year	0.0	0.0	0.0	0.0	0.0
Profit (loss) before tax, employee profit-sharing, depreciation, amortization and provisions	392.1	397.2	323.8	369.4	1,777.7
<b>Earnings per share (in euros)</b>					
Profit (loss) before tax, employee profit-sharing, depreciation, amortization and provisions	5.13	5.50	4.49	4.61	22.20
Profit (loss) before tax, employee profit-sharing, depreciation, amortization and provisions	5.43	5.50	4.49	4.61	22.20
Dividend per share (before tax credit)	3.50	3.50	4.20	23.50	0.00

Strasbourg, March 27, 2020