Financial Report **2019**

Carrefour
banque et
assurance

Carrefour Banque et Assurance News

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A bank for Carrefour and its customers

Daily support

As a forerunner in the consumer credit market, Carrefour Banque et Assurance has been fostering close relationships with the customers of its parent company Carrefour for almost forty years, by supporting them with their everyday projects. The PASS credit, the bank's flagship product, is associated with the PASS payment card to offer flexible and accessible credit solutions.

The range is completed with personal loans, consumer financing and payment facilities such as the payment in three instalments, interest-free.

Loyalty rewarded

Carrefour Banque et Assurance strives to play its role as a retailer bank to the full. It therefore provides unfailing support for Carrefour's digital development and operational improvement strategy. Through this relationship, Carrefour Banque et Assurance customers benefit from a growing number of loyalty rewards and reserved services. One example is the new PASS card launched in 2019, which now offers exclusive advantages in all formats of Group stores and online.

Ongoing innovation

Innovation continues with the aim of constantly improving customer experience: new digital features for greater simplicity, revised procedures for more flexibility and efficiency, and stronger integration into the Carrefour universe for enhanced visibility. Innovation also adds to the range of credit solutions, with the introduction of split payment, for example.

Carrefour Banque's close relationship with customers and its parent company took on its full meaning in spring 2020 in the exceptional context of the Covid-19 crisis. Thanks to the application of appropriate health measures for employees and the efforts made by the teams, Carrefour Banque continued to operate and adjusted to the unusual consumer patterns during this period. Carrefour Banque also raised the PASS card's contactless payment limit to €100 to avoid all unnecessary customer contact with payment terminals in Carrefour stores.

2019 Highlights

In 2019, Carrefour Banque initiated an extensive transformation plan, including an overhaul of the PASS card. These changes are centred on customer satisfaction and aim to integrate financial services into the strategy to renew Carrefour stores.

JANUARY / FEBRUARY

A transformation plan with three priorities

Product, distribution and operational efficiency: Carrefour Banque's transformation plan for 2019-2022 is based on these three pillars, with the aims of winning over new customers, developing multi-product holding through improved customer knowledge, already a focus since 2018, and enhancing operational efficiency across all the functions.

Refocused on financial services relating to the retail activity, the Carrefour Banque range is being adapted to better meet customer needs, with simple, attractive solutions, designed to become part of the customer pathway both in stores and online.

The plan also includes a transformation of the distribution model to be better aligned with physical and digital consumer patterns. Financial services will be integrated into the Services Centres deployed in Carrefour hypermarkets. Positioned at the heart of customer traffic at the entrance to stores, Carrefour Banque will be more visible and closer to customers for greater impact. Online, digital customer pathways are integrated with the retail activity for all products, with the aim of facilitating the transition from Carrefour's standard loyalty programme to the PASS programme.

Finally, procedures will be reviewed to consolidate Carrefour Banque's operational efficiency, thereby gaining in agility and focussing employees on higher value-added tasks thanks to new technologies. This will also involve improving digital channels for a more seamless relationship with customers and better interconnection with Carrefour's digital entities.

PASS card and PASS credit: a specific use for each

Central to the product range, the **PASS Mastercard** is a credit card associated with the PASS credit that can be used at Carrefour and elsewhere. It can be obtained online and allows Carrefour customers to earn loyalty rewards while offering flexible deferred-payment solutions. With Carrefour Pay, holders can pay directly with their mobile device and earn rewards through the loyalty programme. For each payment made, whether in-store or online, PASS cardholders can choose direct debit payment or decide to use their PASS revolving credit, Carrefour Banque's signature credit product. PASS credit gives cardholders the possibility of adapting their monthly payments and reimbursing the amount owed at their own pace.

Financing to facilitate purchases

Adaptable revolving credits

Ever keen to offer flexible, adapted solutions and to help customers manage their budget, Carrefour Banque carried out a special operation to promote the deferment of monthly instalments in connection with France's introduction of a pay-as-you-earn tax system.

Personal loans, to finance everyday projects

Personal loans can finance a wide range of everyday life projects: car, travel, home improvements, family events, etc. These loans are offered at attractive rates, for amounts ranging from €3,000 to €50,000, repayable over 12 to 84 months. A commercial operation running from 15 January to 11 February 2019 offered the personal loan at the premium rate of 1% over 12 months for amounts of between €10,000 and €20,000.

MARCH / APRIL

Simplified personal loan e-application process

Like the PASS card, the "Save & Retrieve" function is now available for the personal loan too. To facilitate requests made online, customers can begin applying for their loan and resume the process later thanks to an email sent to their inbox, without losing the data they have already provided. Work done to improve the customer pathway has also led to an overhaul of the "track my application" service for the PASS card, personal loans and PASS credits, on both mobile devices and computers.

The savings book account earns 2019 excellence award

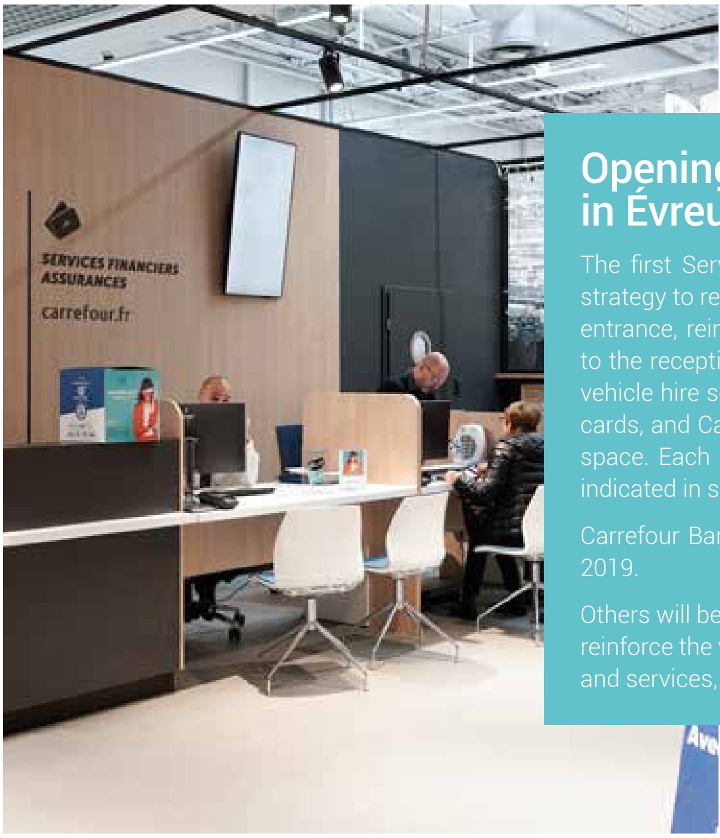
Carrefour Banque's savings book account, launched in 2012, can be opened with a monthly pay-in of just €10 and offers an interest rate of up to 1%, to reward customers for their loyalty. In 2019, this savings account earned the excellence award from *Dossiers de l'Epargne*, in recognition of the quality of Carrefour Banque products.

Close-up on home insurance

Carrefour Assurance received "Trusted Insurer 2019" (*Assureur de confiance*) certification for its tenant's insurance.

Adapted and affordable insurance products

Carrefour Banque's range of insurance products covers every consumer need, from insurance for payment products to car and comprehensive home coverage, and borrower's insurance. It also features family accident coverage and life insurance to keep loved ones protected in case of death. A flash sale was organised between 4 and 11 March for car and home insurance, with two months' free coverage for any new take-up.



Opening of the first Services Centre in Évreux

The first Services Centre opened in April in Évreux as part of the strategy to renew Carrefour stores. This space, located at the store's entrance, reinforces proximity to customers who now have access to the reception desk, two-hour click-and-collect, parcel collect and vehicle hire services, self-service terminals for show tickets and gift cards, and Carrefour Banque et Assurance products, all in the same space. Each activity has a defined location in a single area clearly indicated in stores to facilitate customer access.

Carrefour Banque is also present in fifteen other centres opened in 2019.

Others will be deployed in 2020 to enhance the customer experience, reinforce the visibility and accessibility of Carrefour Banque products and services, and meet new customer expectations.

MAY / JUNE

Continuous improvement

Carrefour Banque implements a continuous improvement programme to increase customer and employee satisfaction. The initiative is already deployed in the customer-relationship management teams and is now being extensively rolled out by the support teams. Expected benefits include better-suited working methods, more horizontal steering, recognition of initiatives and innovation.

"Move to Cloud" for a more efficient IS

The transformation of Carrefour Banque's information system passed a key milestone with the migration of digital tools, websites and mobile applications to the Cloud.

Aiming to be more agile and responsive, the change means the platform can now be monitored in real time, allowing faster analysis and correction of any problems. For the customer, it shortens account downtime and reduces unavailability of tools. It will also be possible to deploy upgrades more rapidly.

Launch of a PASS card sponsorship programme

Building on customer satisfaction and their recommendation, a sponsorship programme called "in'pass" was initiated in June for 700,000 PASS cardholders with a view to securing loyalty.

JULY / AUGUST

Operation "back to school"

As the start of the new school year drew near, the hypermarkets promoted the possibilities of payment in three instalments, interest-free, for purchases from €50. This facility can be triggered directly in stores by using the PASS card for payment.

Consumer loans for household purchases

A consumer loan may also be used to finance back-to-school shopping. This loan is designed to support purchases of larger household items in Carrefour stores. It ranges from €150 to €6,000, with repayment over a period of 4 to 48 months. This form of financing available in Carrefour hypermarkets is showcased at key periods in the year, such as the back-to-school and holiday seasons.

Procedure mapping to improve customer experience

Work was undertaken to map interactions between customers, business lines and support functions to improve the customer experience, secure know-how and ensure practices are compliant. Possible improvements were subsequently defined to hone the customer pathway in all the channels (email, branch, post and telephone).

Joint development of new procedures also fosters better adoption by the teams and recognizes their expertise.

Digital assistants for customers and staff

Following up on the continuous improvement initiative, digital assistants and e-tools were rolled out to speed up customer response times. These assistants also free up time for staff to focus on tasks requiring real expertise, by simplifying, removing or automating low value-added jobs.

SEPTEMBER / OCTOBER

Launch of the new PASS card

With a new visual, new offers, new rewards, new features and a new playing field, the new PASS card fully illustrates the recapture and refocus strategy rolled out by Carrefour Banque. This flagship product, fully integrated into the Carrefour ecosystem, is now available in all formats of Group stores, via all the channels and online.

The PASS card is not only a payment and credit card, but also offers loyalty rewards, boosted from 10% to 15% on thousands of Carrefour products.

Through the W'in offer, it also offers advantages in partner chains, both in-store and online.

And a new form of credit is available: after paying with their PASS card, customers receive a text message offering payment in three, five or ten instalments for eligible purchases from €100 to €2,000, wherever they shop.

New pathway for PASS card secret code definition

The possible improvements identified through the mapping exercise included a new procedure for choosing the PASS card secret code. The new "time to card" pathway was launched at the same time as the new card. A text message replacing the standard letter is sent out as soon as the application is validated, whatever channel is used. PASS cards are received much faster, thereby helping to improve the customer experience.

An unprecedented communication operation

An unprecedented communication plan was also implemented to accompany the launch, with the very first TV ad integrated into Carrefour's media campaign. Advertising in all store formats and powerful online communication completed the operation.

Internally, the presentation of the new PASS card was an opportunity to invite all Carrefour Banque head office managers and many Carrefour representatives to a convention on 3 September in Massy. With a clear focus on win-over and greater bank and retail integration, this event highlighted the entire Group's commitment to making the launch a success. It reflects the key role that Carrefour Banque plays in Carrefour's transformation and win-over strategy.

NOVEMBER / DECEMBER

New chatbot

This year's innovations at Carrefour Banque included the deployment of a chatbot for new PASS customers to apply for their card. This fun and interactive way of communicating not only improves the customer experience by simplifying the whole card application process, but also improves the reliability of data collected.

Out to meet customers at Carrefour Market

In perfect keeping with the strategy to be close to customers, the PASS card has made its entry into Carrefour Market stores, with the possibility of applying online, as suggested by the posters displayed in-store, or with the help of an advisor present in a sample of pilot stores via a tablet.

Increasingly satisfied customers

The drive for customer satisfaction, particularly through digitalisation and improving customer experience, is delivering results. The Net Promoter Score (NPS), which is a key indicator for Carrefour Banque and the whole Carrefour Group, was up at year-end 2019, with some good feedback, especially concerning the customer relationship.

Governance

Carrefour Banque has had a solid and unchanged share ownership structure since 1985: Carrefour 60% - BNPP PF 40%. Carrefour Banque has been rated by Standard & Poor's at BBB+, negative outlook, A-2 since March 9.

Board of Directors

Frédéric Mazurier
Chairman of the Board of Directors of Carrefour Banque, Director Head of France and Group Financial Services and Market Services

Directors:

BNP Paribas Personal Finance, represented by **Michel Falvert**
Head of Major Partnerships BNP Paribas Personal Finance

Marie Cheval
Executive Director Hypermarket Carrefour France

Serge Le Bolès
Deputy Chief Executive Officer BNP Paribas Personal Finance

Élodie Perthuisot
Head of Marketing Carrefour France

Specialised committees

Risk committee

Michel Falvert
Chair

Marie Cheval
Frédéric Mazurier

Remuneration committee

Marie Cheval
Chair

Michel Falvert
Frédéric Mazurier

Audit committee

Frédéric Mazurier
Chair

Michel Falvert
Élodie Perthuisot

Nomination committee

Frédéric Mazurier
Chair

Marie Cheval
Michel Falvert

Executive committee

Frédéric Collardeau
Chief Executive Officer

Aurélien Cailliau
Deputy Chief Executive Officer
Head of Administration and Finance

Nathalie Celik
Head of Marketing

Hervé Dalido
Head of Sales

Franck Ouradou
Head of Risk and Internal Control Coordination

Sébastien Parron
Head of Strategic Programmes and Operations

David Rohmer
Head of Human Resources

Marcus Schomakers
Head of Information Systems

Key indicators

The indicators cover the consolidation scope of banking activities in France, Italy and Belgium at 31 December 2019.

Net banking income
€303 million

Solvency ratio
15.08%

Liquidity coverage ratio (LCR)
136.12%

Loans outstanding
€2,417 million

Savings under management
€1,913 million

Passbook savings deposits
€348 million

Cards
2.2 million

Payments by card
€8,103 million

Statement of inactive accounts at end 2019: 4,579 savings accounts paid to the *Caisse des Dépôts et Consignations (CDC)* for a total of €837,677.42.

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Company financial statements

Balance sheet at 31 December 2019

ASSETS (in thousands of euros)	Note	2019	2018
Cash and central banks		125	15,021
Government debt securities and equivalents		-	-
Amounts due from credit institutions	2-4	1,541,006	1,529,486
Transactions with customers	3-4	1,566,610	1,875,019
Bonds and other fixed-income securities	5	610,371	745,518
Equities and other variable-income securities	5	123,110	123,905
Participating interests and other long-term investment securities	5	738	760
Interests in related undertakings	8	25,216	25,218
Finance leases		-	-
Operating leases		-	-
Intangible assets	9	119,620	120,143
Property, plant and equipment	9	10,811	14,534
Capital called but not paid		-	-
Treasury shares		-	-
Other assets	10	109,661	207,429
Accrual accounting adjustments	10	77,978	93,483
TOTAL ASSETS		**4,185,246**	**4,750,517**

OFF BALANCE SHEET COMMITMENTS		2019	2018
Commitments given	15	3,363,228	3,659,081
Loan commitments		2,017,730	2,198,584
Commitments on forward financial instruments		908,500	984,000
Guarantee commitments		6,998	6,497
Securities commitments		430,000	470,000

LIABILITIES AND EQUITY (in thousands of euros)	Note	2019	2018
Central banks		-	-
Amounts due to credit institutions	2-4	388,259	402,448
Transactions with customers	4	399,704	465,117
Debt securities in issue	6-7	2,745,454	3,029,787
Other liabilities	11	76,836	102,374
Accrual accounting adjustments	11	44,994	59,306
Provisions	12	55,681	42,063
Subordinated debt		-	-
Fund for general banking risks	13	3,735	3,735
Equity excluding fund for general banking risks	14	470,583	645,687
Subscribed share capital		101,347	101,347
Share premium		207,110	207,110
Reserves		150,370	150,370
Revaluation reserve		-	-
Restricted provisions	12	5	27
Retained earnings		166,792	185,078
Net profit/(loss) for the period		-155,042	1,754
TOTAL LIABILITIES AND EQUITY		**4,185,246**	**4,750,517**

OFF BALANCE SHEET COMMITMENTS	2019	2018
Commitments received	3,927,922	4,172,572
Loan commitments	1,853,445	2,044,996
Commitments on forward financial instruments	2,053,200	2,106,300
Guarantee commitments	21,276	21,276
Securities commitments	-	-

Company financial statements

Income statement for the year ended 31 December 2019

(in thousands of euros)	Note	2019	2018
Interest and equivalent income	17	115,297	131,508
Interest and equivalent expenses	17	-23,937	-26,037
Income from finance leases and equivalents		-	-
Expenses on finance leases and equivalents		-	-
Income from operating leases		-	-
Expenses on operating leases		-	-
Income from variable-income securities		69,315	67,221
Fee and commission income	18	78,488	72,001
Fee and commission expenses	18	-11,684	-8,663
Gains and losses on trading portfolios	22	3,214	3,794
Gains and losses on investment portfolios and equivalents	22	-795	-311
Other income from banking operations	19	75,668	81,804
Other expenses on banking operations	19	-9,854	-13,316
NET BANKING INCOME		**295,712**	**308,001**
General operating expenses	20	-180,545	-190,076
Amortisation, depreciation and impairment of intangible assets and property, plant & equipment		-11,970	-12,820
GROSS OPERATING PROFIT		**103,198**	**105,105**
Cost of risk	21	-236,476	-85,863
OPERATING PROFIT/(LOSS)		**-133,278**	**19,242**
Gains and losses on non-current assets	23	251	-2,079
CURRENT PRE-TAX PROFIT/(LOSS)		**-133,027**	**17,163**
Exceptional items		-14,951	-15,920
Income taxes		-7,086	492
Net change in fund for general banking risks and regulated provisions		21	19
NET PROFIT/(LOSS)		**-155,042**	**1,754**

Five-year financial summary

Financial position at end of period (in euros)	2015	2016	2017	2018	2019
Share capital	101,346,957	101,346,957	101,346,957	101,346,957	101,346,957
Number of shares outstanding	6,614,184	6,614,184	6,614,184	6,614,184	6,614,184
RESULTS OF OPERATIONS					
Revenues	507,460,018	480,416,446	377,568,628	351,753,542	336,240,683
Profit/(loss) before tax, profit-sharing, depreciation, amortisation, provisions and impairment	83,466,627	57,023,169	30,747,063	4,596,791	-38,019,488
Income taxes	19,925,607	12,729,818	-1,583,867	-492,432	-1,510,443
Profit-sharing	1,401,998	1,495,704	218,398	-81,100	41,394
Profit/(loss) after tax, profit-sharing, depreciation, amortisation, provisions and impairment	37,515,606	28,321,680	45,017,053	1,754,259	-155,042,220
Total profits paid out as dividend	28,176,424	28,374,849	-	20,040,978	-
PER SHARE DATA					
Profit/(loss) after tax and profit-sharing but before depreciation, amortisation, provisions and impairment	9.39	6.47	4.86	0.78	-
Profit/(loss) after tax, profit-sharing, depreciation, amortisation, provisions and impairment	5.67	4.28	6.81	0.27	-
Dividend payout per share	4.26	4.29	-	3.03	-
EMPLOYEE DATA					
Average number of employees during the period	1,771	1,764	1,625	1,535	1,386
Total payroll	51,631,322	54,299,233	53,511,495	49,986,846	46,124,058
Total employee benefits	24,770,904	27,023,589	24,593,019	24,263,123	20,768,930

Notes

Note 1

ACCOUNTING POLICIES (company financial statements)

A / Significant events of the year ended 31 December 2019

1/ Strategic workforce planning

Carrefour Banque recognised charges of €1,108 thousand related to strategic workforce planning during the year, and booked a provision of €4,375 thousand at year-end.

2/ Change in estimate of provisions for customer loans

Improvements have been made to the risk calculation model to ensure it is resilient to the latest regulatory developments on consumer credit and household over-indebtedness. Those improvements, which were carried out in 2019, led to an overall increase in provisions as of 31 December based on the review of the model and additional experience acquired in 2019.

The main changes to the model were:
- a more sophisticated segmentation of the Carrefour Banque loan book;
- creation of a dedicated "over-indebtedness" class, to which all over-indebted customer accounts are irreversibly transferred;
- a review of the provisioning arrangements for the loan book, including adjustments to the cash collection observation windows used to calibrate the parameters for calculating expected losses.

3/ Refinancing of operations

Carrefour Banque continued to diversify its sources of funds with three major structured financing deals as described below, alongside NEU CP and NEU MTN issues carried out as needed on very favourable terms given the negative interest rate environment.
- An "Amend & Extend" of the syndication deal, with the amount reduced from €750 million to €600 million as of 11 July and a term of five years, and two one-year extension options at the lenders' discretion.
- A €400 million four-year bond issue carried out in September at three-month Euribor +65 basis points.
- A €370 million revolving credit securitisation meeting the STS criteria.

This enables Carrefour Banque to maintain a refinancing buffer above the twelve-month target level at all times.

B / Presentation of the financial statements

The 2019 financial statements have been prepared and presented in accordance with the applicable regulatory requirements, in particular those specified by regulation 2014-07 on the financial statements of banking sector companies, issued on 26 November 2014 by the *Autorité des Normes Comptables* (ANC).
Unless otherwise indicated, all amounts in the notes to the financial statements are expressed in thousands of euros.

C / Branch

The Italian branch Carrefour Banca has been included in the presentation of the Carrefour Banque company financial statements since 1 October 2011, the date on which the merger took legal effect.

D / Customer loans

Non-doubtful and doubtful exposures

Customer loans reported in the balance sheet include the outstanding principal at the balance sheet date, plus interest, penalties and insurance premiums due as of that date or accrued to that date but not yet due.
Customer loans are classified as doubtful if it is probable or certain that they will be wholly or partially non-recoverable. Impairment allowances are determined on the basis of up-to-date statistical observations for each product type, according to the age and known deterioration in credit quality of the loan. In accordance with Articles 2211-1 to 2251-13 of Book II, Title 2 of ANC regulation 2014-07 on the accounting treatment of credit risk, in determining allowances for impairment of doubtful loans, Carrefour Banque discounts the recoverable cash flows on the basis of the initial terms of the loan.

In addition, Carrefour Banque applies the same regulation in calculating the haircut on restructured loans, by using a reference to the original interest rate.
The discounting of recoverable cash flows as part of the impairment calculation, and the application of the haircut calculation, impact on net banking income.
Finally, doubtful interest and late payment penalties, which are included in net banking income but also written down via cost of risk, are eliminated from net banking income. That reclassification amounted to €957 thousand in 2019, versus €3,273 thousand in 2018.

Compromised doubtful loans
Compromised doubtful loans are doubtful loans for which there has been a marked deterioration in the prospects of recovery and which the bank expects ultimately to write off. The rules applied by Carrefour Banque in downgrading loans to "compromised doubtful loans" comply with Article 2221-8 of Book II - Title 2 of ANC regulation 2014-07, and are as follows:
- the loan has been subject to recovery management procedures for at least twelve months;
- a default has occurred on the loan (customer referred for legal recovery);
- the loan is subject to an over-indebtedness referral that has been under observation for at least twelve months;
- the loan is subject to a personal debt management plan.

Rules for writing off loans:
If it proves impossible to recover a loan either through negotiation or issuance of a legal summons to pay, that loan is written off. In such cases, the existing impairment allowance is reversed out against recognition of the loss.
In accordance with Articles 2111-1 to 2171-1 of Book II - Title 1 on the accounting treatment of fees and commission collected by a credit institution and marginal transaction costs on the granting or acquisition of loans, with effect from 1 January 2010 Carrefour Banque has amortised introducers' fees paid on the granting of a loan over the effective life of the loan. The effect of this amortisation was to reduce net banking income for the year by €123 thousand.

Impairment allowances for credit risk
The impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows. The calculation of impairment allowances is based on:
- a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk;
- probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors).

The amount of impairment allowances is determined by applying a statistical model of recoveries and losses that incorporates all possible movements between the different strata, based on observations of historical data.

E / Investment portfolio

In accordance with ANC regulation 2014-07 on the accounting treatment of securities, investment portfolio securities are reported in the balance sheet at acquisition cost. Impairment allowances are recognised as necessary to reflect market value at the balance sheet date. Unrealised gains are not recognised.
Carrefour Banque recognised an impairment allowance of €795 thousand as of 31 December 2019 against its investment in the Lyxor Copernic HQLA Fund, which comprises government bonds and is dedicated to the short-term liquidity coefficient.

F / Non-current financial assets

Participating interests are reported in the balance sheet at cost. Impairment allowances are recognised as necessary to reflect value in use.

G / Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reported in the balance sheet at acquisition cost (purchase price plus incidental expenses). Depreciation and amortisation are charged using the straight line method over the expected economic life of the asset:
- licences and software: 3 to 8 years;
- computer hardware: 3 to 5 years;
- fixtures and fittings: 5 to 8 years;
- other assets: 3 to 10 years.

Leasehold rights are not amortised, but are tested for impairment annually and whenever there is evidence that they may have become impaired.

H / Forward financial instruments

Interest rate hedges are used to limit the effect of interest rate fluctuations on floating rate debt. Carrefour Banque acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the two other entities (the Belgian financial services subsidiary Fimaser and the Spanish subsidiary Servicios Financieros Carrefour) in the interests of mutualisation, organisational efficiency and access to markets.
Hedges are contracted over the counter with leading banks. The main financial instruments used are interest rate swaps. Gains and losses arising on these instruments are recognised symmetrically with gains and losses on the hedged items. Some hedging transactions may generate open positions, on a limited and temporary basis. These positions are remeasured at the balance sheet date, and a provision is recognised to cover any unrealised losses. The instruments in use as of 31 December are presented in notes 15 and 16. The nominal amount of commitments is reported off balance sheet.
In accordance with the amended regulation 2004-16 of the *Comité de la Règlementation Comptable* (CRC) on disclosure of the fair value of financial instruments, Carrefour Banque has measured its derivative financial instruments at fair value, based on observable market parameters.

I / Retirement benefits

Carrefour Banque pays a lump-sum benefit to its employees on retirement, based on their length of service within the Carrefour Group.
The benefit obligation is calculated on an actuarial basis – taking into account factors such as employee turnover, mortality, and the rate of increase in salaries and social security charges – and is recognised in the form of a provision.
Consequently, actuarial gains and losses are recognised in profit or loss in the period in which they arise.

J / Translation of foreign currency transactions

These transactions are accounted for in accordance with Articles 2711-1 to 2731-1 of Book II – Title 7 relating to foreign currency transactions.
All assets, liabilities and off balance sheet items expressed in foreign currencies are translated into euros at the exchange rate prevailing on the balance sheet date.
Income and expenses are translated into euros at the exchange rate prevailing on the transaction date.
Foreign exchange gains and losses, whether unrealised or realised, are recognised in the income statement at the end of the period.
There are no transactions denominated in foreign currencies within Carrefour Banque.

K / Income taxes

Carrefour Banque is the lead company in a group tax election.
Each company included in the group tax election is restored to the position it would have been in had it been taxed separately.
The tax saving or expense arising from the difference between the tax due by subsidiaries included in the group tax election and the tax arising from the group income tax computation is recognised by Carrefour Banque.
The corporate income tax rate is 33.33%. The additional profit-based contribution amounts to 3.3% of standard-rate tax after applying an allowance of €763,000. The amount of tax payable is determined before offset of tax reductions, tax credits and all forms of tax receivables.

L / Events after the reporting period

At this stage, it is difficult to evaluate the impact of recent events arising from the emergence of the Covid-19 pandemic since the end of the reporting period, especially as the situation is evolving rapidly and frequently.
As a bank, Carrefour Banque is classified as an operator of vital importance, and its priority is to ensure business continuity and meet the essential needs of its customers through its physical and remote distribution network.
Carrefour Banque complies strictly with the public health rules imposed by the authorities in each country, and is constantly evaluating the measures needed to safeguard the health of its employees and customers.

The Covid-19 pandemic is ongoing, it is uncertain how long it will last, and the measures adopted in response by the authorities (at the national and local level) are constantly evolving.
Carrefour Banque remains alert to developments in the current situation and its consequences.
It is too early at this stage to assess the impact of the Covid-19 pandemic on the Carrefour Banque Group and in particular on customer behaviour which can change rapidly, both from region to region and over time, as the pandemic evolves and measures (such as lockdown) are applied locally.

M / Proposed appropriation of profits

The appropriation of profit to be submitted to the Annual General Meeting for approval is as follows:
The net accounting loss for the year ended 31 December 2019 of €155,042,220.85 is offset against retained earnings, which is thereby reduced to €11,749,463.62.

Notes to the balance sheet

Note 2

AMOUNTS DUE FROM AND TO CREDIT INSTITUTIONS

(in thousands of euros)	31/12/2019	31/12/2018
Assets		
Current accounts, overnight loans and advances	213,816	214,755
Term loans and advances	1,327,190	1,314,731
TOTAL	**1,541,006**	**1,529,486**
of which accrued interest receivable	690	731
of which transactions with related undertakings	-	-
Liabilities		
Current accounts, overnight borrowings	28,259	2,448
Term deposits and borrowings	360,000	400,000
TOTAL	**388,259**	**402,448**
of which accrued interest payable	-	-
of which transactions with related undertakings	-	-

Note 3

CUSTOMER LOANS

(in thousands of euros)	31/12/2019	31/12/2018
Current accounts in debit	387,920	359,132
Other short-term loans	308,846	307,625
Medium-term loans	398,760	482,178
Long-term loans	831,796	971,997
TOTAL GROSS CUSTOMER LOANS	**1,927,322**	**2,120,932**
Loan impairment allowances	-360,712	-245,913
TOTAL NET CUSTOMER LOANS	**1,566,610**	**1,875,019**

CUSTOMER LOANS NET OF IMPAIRMENT ALLOWANCES

(in thousands of euros)	France	Italy	Principal	Accrued interest	31/12/2019	31/12/2018
Non-doubtful loans	1,285,799	116,576	1,402,375	5,739	1,408,114	1,762,009
of which transactions with related undertakings	139,000	-	139,000	97	139,097	138,082
of which restructured loans	229,742		229,742		229,742	243,335
Non-compromised doubtful loans						
Gross amount	345,581		345,581		345,581	121,430
Impairment allowances	-235,265		-235,265		-235,265	-50,444
Coverage ratio			68%		68%	42%
Compromised doubtful loans						
Gross amount	122,151	51,477	173,628		173,628	237,493
Impairment allowances	-85,619	-39,828	-125,447		-125,447	-195,469
Coverage ratio			72%		72%	82%
CARRYING AMOUNT IN THE BALANCE SHEET	**1,432,647**	**128,224**	**1,560,872**	**5,739**	**1,566,610**	**1,875,018**

Note 4

MATURITY SCHEDULE OF AMOUNTS DUE FROM/TO CREDIT INSTITUTIONS AND CUSTOMERS

(in thousands of euros)						31/12/2019
Credit institutions and financial institutions	**On demand/ no fixed term**	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**TOTAL**
Assets	**214,506**	**1,326,500**	**-**	**-**	**-**	**1,541,006**
Liabilities	**28,259**	**-**	**-**	**360,000**	**-**	**388,259**
Other advances to customers	5,642	233,108	329,760	752,956	78,840	1,400,305
Loans to financial sector customers	97	70,000	69,000	-	-	139,097
Current accounts in debit	27,209	-	-	-	-	27,209
TOTAL CUSTOMER LOANS (ASSETS)	**32,947**	**303,108**	**398,760**	**752,956**	**78,840**	**1,566,610**
TOTAL TRANSACTIONS WITH CUSTOMERS (LIABILITIES) (*)	**399,704**	**-**	**-**	**-**	**-**	**399,704**

(*) Of which transactions with related undertakings.

Note 5

EQUITIES, BONDS AND OTHER SECURITIES

(in thousands of euros)	31/12/2019	31/12/2018
Interests in investment portfolio UCITS	125,000	125,000
Impairment of interests in investment portfolio UCITS	-1,894	-1,099
Equities and other investment portfolio securities (unlisted)	4	4
Equities and other investment portfolio securities (listed)	-	-
Other long-term investment securities	738	760
Bonds (*)	610,372	745,518
TOTAL	**734,219**	**870,183**

(*) Bonds issued by the Master Credit Cards PASS securitisation fund, maturing October 2025 and subscribed by Carrefour Banque
- of which subordinated bonds: **€81,000 thousand**
- of which seller's interest bonds: **€99,340 thousand**
- of which accrued interest receivable: **€21 thousand**

(*) Bonds issued by the Spanish securitisation fund SFC: **€430,000 thousand**
- of which accrued interest receivable: **€11 thousand**

Note 6

DEBT SECURITIES IN ISSUE

(in thousands of euros)	31/12/2019	31/12/2018
Certificates of deposit	372,000	794,000
Other negotiable debt instruments	573,066	535,000
Bonds issues	1,800,388	1,700,787
TOTAL	**2,745,454**	**3,029,787**
of which accrued interest payable	388	787
of which transactions with related undertakings	-	-

Note 7

MATURITY SCHEDULE OF DEBT SECURITIES IN ISSUE

(in thousands of euros)	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	More than 5 years	31/12/2019 TOTAL
Certificates of deposit	372,000	-	-	-	372,000
Other negotiable debt instruments	66	148,000	425,000	-	573,066
Bond issues	500,388	-	1,300,000	-	1,800,388
TOTAL	**872,454**	**148,000**	**1,725,000**	**-**	**2,745,454**

Note 8

INVESTMENTS IN SUBSIDIARIES AND PARTICIPATING INTERESTS

(in thousands of euros)	31/12/2019			31/12/2018		
Unlisted subsidiaries and participating interests	**Gross value**	**Impairment allowances**	**Carrying amount**	**Gross value**	**Impairment allowances**	**Carrying amount**
Fimaser SA	20,700	-	20,700	20,700	-	20,700
Servicios Financieros Carrefour, EFC SA	1,663	-	1,663	1,663	-	1,663
La Financière PASS SAS	8,426	-5,897	2,529	8,426	-5,895	2,531
GIE Chamnord	324	-	324	324	-	324
TOTAL	**31,113**	**-5,897**	**25,215**	**31,113**	**-5,895**	**25,218**

Fimaser SA: Avenue des Olympiades 20, 1140 Brussels, Belgium; share capital €8,655,202.
Equity interest of Carrefour Banque: 99.98%.
Revenue for the 2019 financial year: **€21,461 thousand**, down 3.9% versus 2018.
Post-tax profit for the 2019 financial year:**€7,517 thousand**, up 44.4% versus 2018.
Reserves, retained earnings and share premium before appropriation of 2019 profits: **€14,091 thousand.**
The accounts of Fimaser are included in the consolidated financial statements of the Carrefour Banque Group by the full consolidation method.

Servicios Financieros Carrefour, EFC SA: registered office Calle Juan Esplandiu no. 13, 28007 Madrid, Spain; share capital €18,567,438.
Equity interest of Carrefour Banque: 6.797%.
Revenue for the 2019 financial year: **€373,338 thousand,** up 2.5% versus 2018.
Post-tax profit for the 2019 financial year: **€115,823 thousand,** up 91.7% versus 2018.
Reserves, retained earnings and share premium before appropriation of 2019 profits: **€382,096 thousand.**

La Financière PASS SAS: registered office 1, Place Copernic, 91051 Évry Cedex, France; subsidiary with share capital of €37,000.
Equity interest of Carrefour Banque: 100.00%; net loss of €18 thousand for the 2019 financial year.

FCT Master Credit Cards PASS (securitisation fund): registered office 41, rue Délizy, 93500 Pantin, France.
Equity interest of Carrefour Banque: 100.00% (representing €300).
The accounts of FCT Master Credit Cards PASS are included in the consolidated financial statements of the Carrefour Banque Group by the full consolidation method.

Note 9

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31/12/2018	Increases	Decreases	Other movements	31/12/2019
Gross value					
Intangible assets	159,679	8,306	1,663	-772	165,550
Property, plant and equipment	41,726	649	604	-217	41,554
TOTAL GROSS VALUE	**201,405**	**8,954**	**2,267**	**-989**	**207,104**
Amortisation of intangible assets	39,535	8,058	1,663	-	45,930
Depreciation of property, plant and equipment	27,193	3,912	362	-	30,743
TOTAL CARRYING AMOUNT	**134,677**	**-3,015**	**242**	**-989**	**130,431**

Note 10

OTHER ASSETS AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	31/12/2019	31/12/2018
Assets		
Sundry Group debtors	79,810	138,360
Other sundry debtors (*)	29,851	69,069
TOTAL OTHER ASSETS	**109,661**	**207,429**
Items in course of collection	51,086	73,731
Prepayments	11,057	8,530
Accrued income	15,834	11,222
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	**77,978**	**93,483**

(*) Includes advances to GIE GNIFI (INCO): **€18,510 thousand** from 2006, and to SCI Ambaville: **€6,124 thousand** from 2013.
These advances represent tax-efficient investments in Overseas France under the Girardin law.

(*) Includes impairment allowances of **€2,747 thousand** as of 31 December 2019 on funds of €4,440 thousand deposited as a guarantee against debtor default risk on loans transferred to the securitisation fund.

Note 11

OTHER LIABILITIES AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	31/12/2019	31/12/2018
Liabilities		
Sundry Group creditors	30,670	33,357
Taxes payable	2,364	2,414
Employee-related liabilities	19,383	21,026
Trade payables	503	1,758
Other sundry creditors (*)	23,916	43,818
TOTAL OTHER LIABILITIES	**76,836**	**102,374**
Accrued expenses	29,317	42,756
Deferred income	15,677	16,550
Items in course of collection	-	-
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	**44,994**	**59,306**

(*) Includes debt waivers in favour of the tax-efficient investment vehicles GIE GNIFI: **€18,510 thousand** from 2006, and SCI Ambaville: **€4,015 thousand** from 2013.

Note 12

IMPAIRMENT ALLOWANCES AND PROVISIONS

(in thousands of euros)	31/12/2018	Increases	Decreases	Other movements	31/12/2019
Impairment allowances against customer loans (*)	245,913	117,546	2,747	-	360,712
TOTAL	**245,913**	**117,546**	**2,747**	**-**	**360,712**
Provisions				-	
Provisions for retirement benefits	24,310	3,305	-	-1,086	26,529
Other provisions (**)	17,753	17,979	6,581	-	29,151
TOTAL	**42,063**	**21,285**	**6,581**	**-**	**55,681**
Restricted provisions					
Accelerated tax depreciation	27	-	21	-	5
Special profit-sharing reserve	-	-	-	-	-
TOTAL	**27**	**-**	**21**	**-**	**5**

(*) Includes an increase of **€30,120 thousand** relating to the purchase by Carrefour Banque of loans not eligible for the securitisation fund.

(**) The movement mainly comprises a technical provision of **€8,575 thousand,** and a provision for variable remuneration of **€3,518 thousand.**

Note 13

FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2018	Increases	Decreases	31/12/2019
Fund for general banking risks	3,735	-	-	3,735

Note 14

EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2018	Increases	Decreases	31/12/2019
Share capital: 6,614,184 shares	101,347	-	-	101,347
Reserves and retained earnings				
Share premium	207,110	-	-	207,110
Share warrants	-	-	-	-
Legal reserves	10,135	-	-	10,135
Reserves required under the bylaws	-	-	-	-
Other reserves	140,236	-	-	140,236
Retained earnings	185,078	1,754	20,041	166,792
TOTAL RESERVES AND RETAINED EARNINGS	**542,559**	**-**	**-**	**524,273**
TOTAL EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS	**643,906**	**-**	**-**	**625,620**

Notes on off balance sheet items

Note 15

CONFIRMED CREDIT FACILITIES, SURETIES, ENDORSEMENTS AND OTHER COMMITMENTS GIVEN AND RECEIVED

(in thousands of euros)	31/12/2019	31/12/2018
Commitments given	**3,363,228**	**3,659,081**
Confirmed credit facilities available to customers	2,017,730	2,198,584
Commitments on interest rate instruments (swaps)	908,500	984,000
Sureties, endorsements and other guarantees given to customers	6,998	6,497
of which financial guarantees	6,998	6,497
Securities commitments	430,000	470,000
Commitments received	**3,927,922**	**4,172,572**
Loan commitments received from credit institutions	1,353,445	1,534,996
Loan commitments received from financial sector customers	500,000	510,000
Commitments on forward financial instruments	2,053,200	2,106,300
Sureties, endorsements and other guarantees received from credit institutions	21,276	21,276

Note 16

FORWARD FINANCIAL INSTRUMENTS

	31/12/2019				31/12/2018			
(in thousands of euros)	Micro-hedging	Non-hedging	Total	Fair value	Micro-hedging	Non-hedging	Total	Fair value
Firm OTC instruments								
Interest rate swaps	832,700	2,067,000	2,899,700	-5,748	1,062,300	2,028,000	3,090,300	-4,112
Cross currency swaps	-	-	-	-	-	-	-	-
Caps	-	62,000	62,000	-	-	-	-	-
TOTAL	**832,700**	**2,129,000**	**2,961,700**	**-5,748**	**1,062,300**	**2,028,000**	**3,090,300**	**-4,112**
Residual maturity	**≤ 1 year**	**1 to 5 years**	**> 5 years**	**Total**				
Nominal value of contracts	348,000	450,700	34,000	832,700				
Fair value	-896	-4,018	-834	-5,748				

Notes to the income statement

Note 17
INTEREST AND EQUIVALENT INCOME
INTEREST AND EQUIVALENT EXPENSES

	31/12/2019		31/12/2018	
(in thousands of euros)	Income	Expenses	Income	Expenses
On transactions with credit institutions	10,050	13,226	10,454	15,949
On transactions with customers (*)	98,254	1,386	113,066	2,431
On bonds and other fixed-income securities	6,994	9,325	7,989	7,657
TOTAL	**115,297**	**23,937**	**131,508**	**26,037**
(*) Related parties (income).	219	-	297	-

Note 18
FEES AND COMMISSION

	31/12/2019		31/12/2018	
(in thousands of euros)	Income	Expenses	Income	Expenses
Fees and commission on securities transactions	10,752	-	11,746	-
Fees and commission on payment media	67,736	11,684	60,255	8,663
TOTAL	**78,488**	**11,684**	**72,001**	**8,663**

Note 19
OTHER INCOME AND EXPENSES FROM BANKING OPERATIONS

	31/12/2019		31/12/2018	
(in thousands of euros)	Income	Expenses	Income	Expenses
Share of joint operations	6,909	9,596	7,802	13,111
Expenses recharged to Group companies	-	-	-	-
Other income and expenses from banking operations (*)	68,760	258	74,002	205
TOTAL	**75,668**	**9,854**	**81,804**	**13,316**
(*) Related parties (income).	63,201	-	68,182	-

Note 20

GENERAL OPERATING EXPENSES

(in thousands of euros)	2019	2018
Wages and salaries	47,170	51,068
Social security charges and payroll taxes	29,308	30,517
Profit-sharing	4,221	4,907
Personnel costs	**80,699**	**86,493**
of which retirement benefit expenses	6,597	4,109
Other administrative expenses	**99,846**	**103,583**
TOTAL GENERAL OPERATING EXPENSES	**180,545**	**190,076**

Note 21

COST OF RISK

(in thousands of euros)	2019	2018
Net change in impairment allowances	-82,736	17,445
Charges on customer loans mainly covered by impairment allowances	-153,740	-103,308
TOTAL	**-236,476**	**-85,863**

Note 22

GAINS AND LOSSES ON PORTFOLIOS

	2019		2018	
(in thousands of euros)	Gains	Losses	Gains	Losses
Gains and losses on trading portfolios				
On financial instruments	3,214	-	3,794	-
Foreign exchange gains and losses	-	-	-	-
TOTAL	**3,214**	**-**	**3,794**	**-**
Gains and losses on investment portfolios and equivalents				
Impairment of investment securities	-	795	-	1,099
Gains and losses on disposals of investment securities	-	-	788	-
Expenses related to investment securities	-	-	-	-
TOTAL	**-**	**795**	**788**	**1,099**

Note 23

GAINS AND LOSSES ON NON-CURRENT ASSETS

	2019		2018	
(in thousands of euros)	Gains	Losses	Gains	Losses
Gains/losses on property, plant and equipment, intangible assets and non-current financial assets				
On non-current assets	-	245	49	2,128
TOTAL	**-**	**245**	**49**	**2,128**

Other information

Note 24

DIRECTORS AND KEY EXECUTIVES

(in thousands of euros)	2019	2018
Remuneration awarded to directors and key executives	1,614	1,463

Note 25

HEADCOUNT

(number of employees)	2019	2018
Average headcount for the year, comprising:	**1,386**	**1,535**
Non-managerial grades	1,026	1,160
Managerial grades	360	375

Note 26

IDENTITY OF CONSOLIDATING ENTITIES

Carrefour Banque is included by the full consolidation method in the consolidated financial statements of the Carrefour SA Group (equity interest: 60.00%), registered office 93, avenue de Paris, 91300 Massy, France; and by the equity method in the consolidated financial statements of BNP Paribas SA, registered office 16, boulevard des Italiens, 75009 Paris, France, via its subsidiary BNP Paribas Personal Finance SA (equity interest: 40.00%), registered office 1, boulevard Haussmann, 75009 Paris, France.

Appropriation of profits

The appropriation of profit to be submitted to the Annual General Meeting for approval is as follows:
The net accounting loss for the year ended 31 December 2019 of €155,042,220.85 is offset against retained earnings, which is thereby reduced to €11,749,463.62.

In accordance with Article 243 bis of the French General Tax Code, the Annual General Meeting duly notes that the dividend distributed per share in respect of the three previous financial years, and the amount of income per share eligible and ineligible for relief under Article 158.3(2) of the French General Tax Code, was as follows:

Financial year (€)	Dividend distributed	Income eligible for relief under Article 158.3(2) of the French General Tax Code	Income ineligible for relief under Article 158.3(2) of the French General Tax Code
2016	4.29	4.29	-
2017	-	-	-
2018	3.03	3.03	-

Statutory Auditors' report on the financial statements

Year ended 31 December 2019

To the Annual General Meeting of the shareholders of Carrefour Banque SA,

OPINION

In accordance with the assignment entrusted to us by the Annual General Meeting, we have conducted our audit of the accompanying financial statements of Carrefour Banque SA for the year ended 31 December 2019. The financial statements were closed by the Board of Directors on 27 April 2020 based on information available as of that date, in the context of the evolving public health crisis related to Covid-19.
In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019, and of the results of its operations for the year then ended, in accordance with French generally accepted accounting principles.
The opinion expressed above is consistent with the contents of our report to the Audit Committee.

BASIS FOR OUR OPINION

Auditing standards

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 audit opinion.
Our responsibilities under those standards are described in the section "Statutory auditors' responsibilities for the audit of the financial statements" below.

Independence

We conducted our audit engagement in compliance with the rules on independence that applied to us during the period from 1 January 2019 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics of the auditing profession.
Services other than audit of the financial statements that we provided to your company (and to entities controlled by it) during the year ended 31 December 2019 and not disclosed in the management report or the notes to the financial statements consist of the issuance of a comfort letter in connection with the updating of the prospectus for the Carrefour Banque SA Euro Medium Term Notes (EMTN) programme.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

Pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the financial statements for the year, and our response to those risks.
Our assessment should be seen in the context of the audit of the financial statements taken as a whole and closed off on the basis described above, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the financial statements taken in isolation.

MEASUREMENT OF IMPAIRMENT OF LOANS AND ADVANCES TO CUSTOMERS

Risk identified and key judgments	Our audit approach
Carrefour Banque is exposed to credit risk and counterparty risk. Those risks arise as a result of the inability of customers or counterparties to meet their financial obligations, and require the recognition of impairment allowances to cover known risks of non-recovery of loans. As mentioned in note 1.D. to the financial statements, the impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows. The calculation of impairment allowances is based on: - a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk; - probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors). The amount of impairment allowances is determined by applying a statistical model of recoveries and losses that incorporates all possible movements between the different strata, based on observations of historical data. As of 31 December 2019, total impairment allowances against customer loans and advances were €361 million on a gross value of €1,927 million, as disclosed in note 3 to the financial statements. **We regarded the measurement of impairment allowances as a key audit matter, given the significant extent to which the bank exercises judgment in estimating future recoveries and observations of historical data.**	As part of our audit procedures, we examined control systems relating to (i) the monitoring of credit and counterparty risks, (ii) the evaluation of the risk of non-recovery, and (iii) the determination of the related impairment allowances on a statistical basis. Our procedures involved: - assessing the control systems used to identify and monitor counterparties classed as (i) subject to a loss event, (ii) doubtful, and (iii) subject to recovery proceedings; - reconciling the impairment rate calculation schedules with the accounting records, to check that those rates were consistent with the impairment allowances actually recognised; - assessing the appropriateness of the methodology used to calculate impairment allowances in light of the operations carried on by Carrefour Banque and the structure of its loan book; - reconciling schedules prepared by external service-providers to track exposures subject to recovery proceedings and write-offs during the past year; - circularising those external providers of recovery services, to obtain assurance as to the completeness and accuracy of the amounts recognised for exposures subject to recovery proceedings and write-offs. Our IT experts reviewed the overall IT structure in place within Carrefour Banque, including a review of general IT controls, interfaces and embedded controls specific to flows related to customer exposures. We assessed the control systems put in place by Carrefour Banque in connection with the calculation process.

SPECIFIC VERIFICATIONS

We also carried out the specific procedures required by law and regulations, in accordance with the professional standards applicable in France.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN OTHER DOCUMENTS ADDRESSED TO THE SHAREHOLDERS ABOUT THE FINANCIAL POSITION AND FINANCIAL STATEMENTS

We have no matters to report regarding the fairness or consistency with the financial statements of the information presented in the management report prepared by the Board of Directors as closed off on 27 April 2020 or in other documents addressed to the shareholders about the company's financial position and financial statements. As regards events that occurred and information that became known in respect of the effects of the Covid-19 crisis after the date on which the financial statements were closed off, management informed us that an update will be provided at the Annual General Meeting held to approve the financial statements.
We have the following matter to report regarding the fairness and consistency with the financial statements of the disclosures about payment periods referred to in Article D. 441-4 of the French Commercial Code:

- As indicated in the management report, those disclosures do not include banking and related transactions, because Carrefour Banque regards such transactions as falling outside the scope of the disclosure requirements.

Report on corporate governance

We hereby attest that the information required under Article L. 225-37-4 of the Commercial Code is contained in the Board of Directors' report on corporate governance.

INFORMATION REQUIRED UNDER OTHER LEGAL OR REGULATORY OBLIGATIONS

Appointment as statutory auditors

We were appointed as statutory auditors of Carrefour Banque SA by the Annual General Meetings of 25 June 1980 (KPMG) and 25 May 2004 (Deloitte & Associés), taking into account acquisitions of and mergers between firms since those dates.
As of 31 December 2019, KPMG was in its fortieth uninterrupted year as statutory auditor, and Deloitte & Associés was in its sixteenth.

RESPONSIBILITIES OF MANAGEMENT, AND OF THOSE CHARGED WITH GOVERNANCE, FOR THE FINANCIAL STATEMENTS

It is the responsibility of management to prepare financial statements that give a true and fair view in accordance with French generally accepted accounting principles, and to implement such internal control as it 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, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.
It is the responsibility of the Audit Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.
The financial statements were closed off by the Board of Directors on 27 April 2020.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objectives and audit approach

It is our responsibility to prepare 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 be reasonably 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 Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. In addition, the auditor:

- 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 that is sufficient and appropriate to provide a basis for the auditor's 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 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;

- concludes on 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. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or disclaimer;
- evaluates the overall presentation of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them.

Report to the Audit Committee

We submit a report to the Audit Committee that describes inter alia the scope of our audit, the work programme followed and our findings. We also inform the Audit Committee of any significant deficiencies in internal control we have identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Audit Committee includes those risks of material misstatement that we determined were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We provide the Audit Committee with the written confirmation (as required under Article 6 of Regulation [EU] No. 537-2014) of our independence, within the meaning of the rules applicable in France and contained inter alia in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Audit Committee about risks to our independence, and related safeguards.

Paris La Défense, 13 May 2020

The Statutory Auditors

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Jean-Vincent COUSTEL
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Consolidated financial statements

Statement of financial position at 31 December 2018 and 31 December 2019

ASSETS (in thousands of euros)	**Note**	**IFRS 31/12/2019**	**IFRS 31/12/2018**
Cash, central banks and postal cheque accounts		473	15,686
Financial assets at fair value through profit or loss	4.1	4,667	3,716
Hedging derivatives	4.2	64	393
Financial assets at fair value through other comprehensive income	4.3	156,767	156,184
Available-for-sale financial assets		-	-
Loans and advances to credit institutions at amortised cost	4.5	1,980,649	1,535,449
Loans and advances to customers at amortised cost	4.6	2,096,816	2,462,210
Securities at amortised cost		1	470,017
Current and deferred tax assets	4.8	87,626	77,833
Accrual accounting adjustments and other assets	4.9	131,219	154,915
Equity investments, interests in related undertakings and other long-term investments		-	-
Property, plant and equipment and intangible assets	4.10	129,265	126,943
TOTAL ASSETS		**4,587,547**	**5,003,346**

LIABILITES AND EQUITY (in thousands of euros)	**Note**	**IFRS 31/12/2019**	**IFRS 31/12/2018**
Cash, central banks and postal cheque accounts		-	-
Financial liabilities at fair value through profit or loss	4.1	4,663	3,824
Hedging derivatives	4.2	10,577	8,053
Amounts due to credit institutions	4.5	388,266	402,449
Amounts due to customers	4.6	415,881	478,709
Debt securities in issue	4.7	3,109,944	3,326,679
Current and deferred tax liabilities	4.8	9,895	2,995
Accrual accounting adjustments and other liabilities	4.9	102,878	138,393
Provisions	4.11	44,450	50,376
Shareholders' equity attributable to the Group:		500,992	591,870
Share capital and associated reserves		308,457	308,457
Consolidated reserves		258,620	266,667
Net profit/(loss) for the period		-66,086	16,746
TOTAL LIABILITIES AND EQUITY		**4,587,547**	**5,003,346**

Consolidated income statement for the years ended 31 December 2018 and 31 December 2019

INCOME STATEMENT (in thousands of euros)	Note	2019	2018
Interest and equivalent income	5.1	207,508	230,929
Interest and equivalent expenses	5.1	-22,321	-26,136
Income from variable-income securities		2,873	-
Fee and commission income	5.2	83,917	77,326
Fee and commission expenses	5.2	-14,180	-11,859
Net gains/(losses) on financial instruments at fair value through profit or loss	5.3	-1,495	579
Net gains/(losses) on available-for-sale financial assets and other financial assets not measured at fair value	5.4	-	-
Other income from banking operations	5.5	80,365	86,667
Other expenses on banking operations	5.5	-33,653	-31,268
NET BANKING INCOME		**303,014**	**326,238**
General operating expenses		-181,561	-195,280
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	4.10	-14,954	-24,325
GROSS OPERATING PROFIT/(LOSS)		**106,499**	**106,633**
Cost of risk	5.6	-171,581	-80,213
OPERATING PROFIT/(LOSS)		**-65,081**	**26,419**
Gains and losses on non-current assets		-12	-1,251
Gain from bargain purchase/(goodwill impairment)		-	-
CURRENT PRE-TAX PROFIT/(LOSS)		**-65,094**	**25,168**
Income taxes	5.7	-992	-8,423
Non-controlling interests		-	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		**-66,086**	**16,746**

Consolidated statement of comprehensive income for the years ended 31 December 2018 and 31 December 2019

(in thousands of euros)	2019	2018
Net profit/(loss) attributable to the Group	**-66,086**	**16,746**
Non-controlling interests	**-**	**-**
Actuarial gains/(losses) on retirement benefit obligations	-2,978	1,038
Reclassifiable changes in fair value of cash flow hedging derivatives	-1,773	-1,744
Non-reclassifiable changes in fair value of cash flow hedging derivatives	-	-
Other comprehensive income	**-4,751**	**-706**
TOTAL COMPREHENSIVE INCOME	**-70,837**	**16,040**
Attributable to owners of the parent company	-70,837	16,040
Attributable to non-controlling interests	-	-

Consolidated financial statements

Statement of changes in equity between 1 January 2019 and 31 December 2019

	Share capital and share premium			Gains and losses recognised directly in equity							
				Change in fair value of financial instruments							
(in thousands of euros)	Share capital	Share premium	Consolidated reserves	Financial assets: re-classifiable	Financial assets: non-re-classifiable	Hedging derivatives	Actuarial gains/ (losses)	Net profit/ (loss) attributable to the Group	Total equity attributable to the Group	Equity attributable to non-controlling interests	Total consol-idated equity
IFRS EQUITY AT 01/01/2019 AFTER APPROPRIATION	**101,347**	**207,110**	**271,481**	**-1,323**	**24,111**	**-2,679**	**-8,178**		**591,870**	**-**	**591,870**
Transactions with shareholders											
Distribution			-20,041						-20,041		-20,041
Impact of mergers			-						-		-
Impact of acquisitions and disposals on non-controlling interests			-						-		-
Sub-total			**-20,041**						**-20,041**		**-20,041**
Gains and losses recognised directly in equity											
Other movements				-632	-	-1,141	-2,978		-4,751		-4,751
Sub-total				**-632**	**-**	**-1,141**	**-2,978**		**-4,751**		**-4,751**
Other movements											
Net profit/(loss) for the period								-66,086	-66,086		-66,086
Other movements									-		-
Sub-total			**-**	**-**	**-**	**-**	**-**	**-66,086**	**-66,086**	**-**	**-66,086**
IFRS EQUITY AT 31/12/2019	**101,347**	**207,110**	**251,440**	**-1,955**	**24,111**	**-3,820**	**-11,156**	**-66,086**	**500,992**	**-**	**500,992**

Cash flow statement for the years ended 31 December 2018 and 31 December 2019

(in thousands of euros)	2019	2018
Pre-tax profit/(loss)	**-65,094**	**25,168**
Non-monetary items included in pre-tax profit/(loss) and other adjustments not included in profit or loss	**-161,681**	**-234,312**
Depreciation and amortisation of property, plant and equipment and intangible assets, net	14,724	24,325
Impairment of goodwill and other non-current assets	-	-
Net change in provisions	11,063	-56,201
Share of profits/losses of associates and joint ventures	-	-
Net gain/loss on investing activities	-2,631	1,251
Net gain/loss on financing activities	-	-
Other movements	-184,837	-203,687
Net cash inflows/(outflows) arising from assets and liabilities related to operating activities	**220,779**	**251,158**
Net cash inflows/(outflows) arising from transactions with credit institutions	-45,243	-150,932
Net cash inflows/(outflows) arising from transactions with customers	497,501	289,766
Net cash inflows/(outflows) arising from transactions affecting other financial assets and liabilities	-229,251	101,250
Income taxes paid	-2,228	11,074
Net cash generated by/(used in) operating activities	**-5,996**	**42,014**
Net cash inflows/(outflows) arising from financial assets and equity investments	2,835	24,796
Net cash inflows/(outflows) arising from property, plant and equipment and intangible assets	-15,097	-12,484
Net cash generated by/(used in) investing activities	**-12,262**	**12,312**
Net cash inflows/(outflows) arising from transactions with shareholders	-20,041	-
Net cash inflows/(outflows) arising from other financing activities	-	-
Net cash generated by/(used in) financing activities	**-20,041**	**-**
Effect of exchange rate fluctuations on cash and cash equivalents	**-**	**-**
NET INCREASE/(DECREASE) IN CASH POSITION	**-38,299**	**54,326**
Cash and cash equivalents at start of period	**233,956**	**179,630**
Cash, central banks and postal cheque accounts (assets and liabilities)	15,686	503
Loans to credit institutions repayable on demand	218,270	179,127
Borrowings from credit institutions repayable on demand	-	-
Cash and cash equivalents at end of period	**195,657**	**233,956**
Cash, central banks and postal cheque accounts (assets and liabilities)	473	15,686
Loans to credit institutions repayable on demand	195,184	218,270
Borrowings from credit institutions repayable on demand	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**-38,299**	**54,326**

Consolidated financial statements

Significant events of 2019

• Review of the credit risk assessment and calculation model

During 2019, changes to estimates used to calculate Carrefour Banque's cost of risk led to an overall increase in provisions as of 31 December for some classes of customer exposure, especially relating to over-indebtedness.

The additional experience acquired in 2019, and changes to the calculation parameters, mean that the risk model is resilient to the latest regulatory developments on consumer credit and household over-indebtedness.

The main changes to the model are explained below:

- a more sophisticated segmentation of the Carrefour Banque loan book, which is now stratified into twenty layers, with Probability of Default (PD) and Loss Given Default (LGD) calculations differentiated by layer and product;
- creation of a dedicated "over-indebtedness" class with a PD of 100%, to which all over-indebted customer accounts are irreversibly transferred;
- a review of the provisioning arrangements for the loan book, including adjustments to the cash collection observation windows used to calibrate the parameters for calculating expected losses.

Consolidated cost of risk for the year amounted to €171.6 million, a year-on-year increase of €91.4 million (or €67.8 million net of taxes). The overall negative impact of the change in estimates for the period was €112.1 million, or €83.2 million net of taxes.

• Loan book divestment

The Group divested loans subject to legal recovery proceedings amounting to €86 million as of 30 June 2019.

• Funding of operations

The Spanish SFC-Columbus revolving credit securitisation programme was renewed: the €470 million 2017 issue of Class A senior securities, which matured on 26 April 2019, was renewed effective 26 June 2019 for an amount of €430 million.

Notes to the financial statements

Note 1
BUSINESS TRENDS AFTER THE REPORTING PERIOD IN FRANCE

At this stage, it is difficult to evaluate the impact of recent events arising from the emergence of the Covid-19 pandemic since the end of the reporting period, especially as the situation is evolving rapidly and frequently.

As a bank, Carrefour Banque is classified as an operator of vital importance, and its priority is to ensure business continuity and meet the essential needs of its customers through its physical and remote distribution network.

The Carrefour Banque complies strictly with the public health rules imposed by the authorities in each country, and is constantly evaluating the measures needed to safeguard the health of its employees and customers.

The Covid-19 pandemic is ongoing, it is uncertain how long it will last, and the measures adopted in response by the authorities (at national and local level) are constantly evolving.

Carrefour Banque remains alert to developments in the current situation and its consequences.

It is too early at this stage to assess the impact of the Covid-19 pandemic on the Carrefour Banque Group and in particular on customer behaviour which can change rapidly, both from region to region and over time, as the pandemic evolves and measures (such as lockdown) are applied locally.

Note 2
A / APPLICABLE ACCOUNTING STANDARDS

Carrefour Banque ("the Company") is a *société anonyme* [a form of public limited company] with share capital of €101,346,956.72. It is a credit institution and insurance broker, with its registered office at 1, place Copernic, 91051 Évry Cedex, France. The consolidated financial statements for the year ended 31 December 2019 include the Company and its subsidiaries (collectively "the Group"). They have been prepared and are presented in euros, the Company's functional currency.

Pursuant to European regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Company for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union as of 1 January 2019 and mandatorily applicable as of that date.

The term "IFRS" refers collectively to International Financial Reporting Standards and International Accounting Standards (IAS), and to interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The full set of International Accounting Standards Board (IASB) pronouncements endorsed by the European Union can be consulted via the website of the European Financial Reporting Advisory Group at the following address:

https://ec.europa.eu/info/index_en

B / IMPACT OF CHANGES IN ACCOUNTING POLICY

IFRS 16 “Leases”

IFRS 16 replaced IAS 17 “Leases”, and the associated interpretations, with effect from 1 January 2019. The new standard specifies the principles for lease accounting, and introduces significant changes to the way lessees account for leases by ending the distinction previously made between operating leases and finance leases.
Under IFRS 16, all leases are recognised in the balance sheet by recording an asset representing the right to use the leased asset, matched by a lease liability corresponding to the present value of the future lease payments over the reasonably certain term of the lease. IFRS 16 also changes the way leases are presented in the income statement (recognition of depreciation expense and interest expense, instead of the lease expense previously recognised) and in the cash flow statement (lease payments, representing interest payments and repayments of the liability, are presented within financing activities).
The Group elected to apply the simplified retrospective method with effect from 1 January 2019. The 2018 financial statements have not been restated.
The Group applies the two exemptions offered by IFRS 16, relating to low-value assets and to short-term leases (with a term of no more than twelve months).
IFRS 16 had an impact of €4.4 million on non-current assets and liabilities in the financial statements as of 31 December 2019.
The right-of-use asset recognised under IFRS 16 as of that date was €4.2 million.

IFRIC 23 “Uncertainty over income tax treatments”

First-time application of IFRIC 23 did not lead to any changes to the way in which the Group previously measured tax uncertainties. However, tax risks relating to income taxes – previously classified as provisions – are now presented separately within current or non-current tax liabilities, depending on their maturity (within one year, or after more than one year). This new presentation is in line with the IFRIC Agenda Decision of September 2019).

Note 3
SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

3.1 / IFRS 9 “Financial instruments”

IFRS 9 sets out the accounting and disclosure principles applicable to financial assets and financial liabilities. Key changes introduced by IFRS 9 include:

- a new classification of financial instruments based on the business model and the contractual characteristics of the instrument (part 1);
- a new financial asset impairment model based on expected credit losses, replacing the previous incurred loss model (part 2);
- new hedge accounting principles, excluding macro-hedging (part 3).

Part 1: Classification and measurement of financial assets and financial liabilities

IFRS 9 uses a new classification and measurement model for financial assets, based on the contractual characteristics of the cash flows and the business model under which the asset is held. The four classification categories specified in IAS 39 have been replaced by three categories:

- financial assets at amortised cost;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income.

These new financial asset classification and measurement principles had no material impact on the accounting policies applied by the Group, since the majority of its financial assets – previously classified in the “Loans and receivables” category – continue to be measured at amortised cost (see the transition statement showing the effect of first-time application of IFRS 9 on the consolidated opening balance sheet).
Loans and advances to customers meet the new IFRS 9 criteria for classification and measurement at amortised cost, in terms of their contractual cash flows (solely payments of principal and interest) and their business model (held to collect).
Equity interests in non-consolidated entities must be measured at fair value, though either of the two fair value options may be elected. Because they are equity instruments, they are not subject to the impairment principles specified in Chapter 5.5 of IFRS 9 (part 2 of the standard).

Part 2: Impairment and provisioning of financial assets

During 2019, changes to estimates used to calculate Carrefour Banque’s cost of risk led to an overall increase in provisions as of 31 December for some classes of customer exposure, especially relating to over-indebtedness.
The additional experience acquired in 2019, and changes to the calculation parameters, mean that the risk model is resilient to the latest regulatory developments on consumer credit and household over-indebtedness.

The main changes to the model are explained below:

- a more sophisticated segmentation of the Carrefour Banque loan book, which is now stratified into twenty layers, with Probability of Default (PD) and Loss Given Default (LGD) calculations differentiated by layer and product;
- creation of a dedicated "over-indebtedness" class with a PD of 100%, to which all over-indebted customer accounts are irreversibly transferred;
- a review of the provisioning arrangements for the loan book, including adjustments to the cash collection observation windows used to calibrate the parameters for calculating expected losses.

Consolidated cost of risk for the year amounted to €171.6 million, a year-on-year increase of €91.4 million (or €67.8 million net of taxes). The overall negative impact of the change in estimates for the period was €112.1 million, or €83.2 million net of taxes.

Part 3: Hedge accounting

The Group has elected to adopt the new general hedge accounting model introduced by IFRS 9, under which it must ensure that hedging relationships are consistent with its risk management objectives and strategy, and adopt a more qualitative and forward-looking approach in assessing hedge effectiveness.

These new principles had no material impact on the Group's financial statements, since all the transactions designated as hedges continue to be so designated under IFRS 9.

3.2 / Consolidation

3.2.1 / Scope and method of consolidation

The consolidated financial statements of the Carrefour Banque Group include all entities under the exclusive control of the Company, which does not exercise joint control or significant influence over any other entities. Subsidiaries are consolidated from the date on which the Group obtains effective control.
Entities under exclusive control are consolidated using the full consolidation method.
Control exists when Carrefour Banque has the power to govern, directly or indirectly, the financial and operating policies of an entity.
In determining the percentage of control, the Group takes account of potential voting rights that give access to additional votes, provided that they are exercisable or convertible immediately.

As of 31 December 2019, the scope of consolidation of the Carrefour Banque Group comprised:

- Carrefour Banque, registered office 1, place Copernic, Évry (91051), registered number 313 811 515. Carrefour Banque is the parent company and has share capital of €101,346,956.72;
- FCT Master Credit Cards PASS – EuroTitrisation, a securitisation umbrella fund, registered office 41, rue Délizy, Pantin (93500), registered in the Bobigny companies register as no. 352 458 368 00045;
- Fimaser, acquired on 30 September 2013 for €20.7 million, registered office Avenue des Olympiades, Brussels (1140), registered in the Brussels companies register; this company has share capital of €8,655,202.42 of which 99.98% is owned by Carrefour Banque, and is included in the financial statements of the Carrefour Banque Group by the full consolidation method.

CSF, acquired on 31 December 2010 for €11.502 million, registered office Via Calidera no. 21, Milan (Italy), share capital €5,000,000, is 100% owned by Carrefour Banque, with the status of a branch.
The Group also consolidates separate legal entities established specifically to manage a transaction or group of similar transactions (special purpose entities – "SPEs"), even if it has no equity interest in the SPE, when it has power over the relevant activities of the SPE and the ability to use that power to influence the amount of the returns from the SPE:

- the activities of the SPE are conducted exclusively for the Group so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making and managerial powers to obtain the majority of the benefits of the ordinary activities of the SPE, as evidenced in particular by the ability to wind up the SPE, amend its articles of association or formally veto such amendment;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE. These benefits may take the form of a right to receive some or all of the SPE's annual profits, a right to a share of the SPE's net assets, a right to dispose of one or more assets, or a right to a majority of the residual assets of the SPE in the event of liquidation;
- the Group retains the majority of the risks incurred by the SPE in order to obtain benefits from them; this would apply, for example, if the Group retains exposure to the first losses on a portfolio of assets carried by the SPE.

As of 31 December 2019, separate legal entities formed specifically to manage a tax-efficient transaction or group of tax-efficient transactions have not been consolidated insofar as Carrefour Banque does not have power over the relevant activities of such entities.

3.2.2 / Consolidation rules

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Elimination of reciprocal transactions
Reciprocal balances arising from transactions between consolidated entities are eliminated, as are the transactions themselves (including income, expenses and dividends). Gains and losses arising from disposals of assets within the Group are eliminated, unless they indicate an impairment loss. Unrealised gains and losses incorporated into the value of available-for-sale assets are maintained at Group level.

Foreign currency translation
All entities in the scope of consolidation have the euro as their functional currency.

3.2.3 / Business combinations and measurement of goodwill

Business combinations
Business combinations are accounted for using the acquisition method.
Whenever the Group acquires control over a company or group of companies, it must identify and measure at fair value all of the assets acquired and liabilities assumed. The difference between (i) the fair value of the consideration transferred, including the amount recognised for any non-controlling interest in the acquiree and (ii) the net amount recognised (usually at fair value) for the identifiable assets acquired and liabilities assumed, is recognised as goodwill. This goodwill is subsequently subject to impairment testing at cash generating unit level. It is recognised in the balance sheet of the acquiree, in the functional currency of the acquiree.

In accordance with the revised IFRS 3, which took effect on 1 January 2010, the Group applies the following policies:
- acquisition-related costs are recognised immediately as an operating expense as incurred;
- for each business combination, the Group assesses whether to apply the full goodwill method or the partial goodwill method:
    - under the full goodwill method, non-controlling interests are measured at fair value and are attributed a share of the goodwill arising on the acquisition;
    - under the partial goodwill method, non-controlling interests continue to be measured at their share of the acquiree's net assets, and hence are not attributed any goodwill;
- any potential price adjustment is measured at its estimated fair value at the acquisition date. The initial measurement may only be subsequently amended (via an adjustment to goodwill) if new information is obtained about facts and circumstances that existed at the acquisition date and the adjustment falls within the twelve-month measurement period. If the financial liability recognised in respect of contingent purchase consideration is adjusted after the end of the measurement period, or is adjusted in a way that does not meet these criteria, the adjustment is recognised as a component of comprehensive income;
- in a step acquisition, any existing equity interest is remeasured at fair value through profit or loss when the Group obtains control. Conversely, loss of control requires any residual equity interest to be remeasured at fair value on the same basis;
- any negative goodwill (gain on a bargain purchase) is recognised immediately in profit or loss;
- any acquisition or disposal of equity interests which occurs subsequent to a business combination but does not affect control is treated as a transaction between shareholders and under the revised IAS 27 is recognised directly in equity.

If an entity or additional equity interest is acquired during the financial year, only the profits or losses arising since the acquisition date are included in consolidated profit or loss for the year.
Given its organisational structure and the inter-dependence of the cash flows generated by its banking activities, the Carrefour Banque Group constitutes a single cash generating unit.
Effectively, the Group's banking activities are run by a single management team, and share a common sales force and sales supervision team. The selling of insurance products is handled by Carrefour Banque staff, while all the Group's activities use common management reporting tools and information systems and share the same accounting, financial control, payroll and human resources functions.

Allocation of goodwill
Goodwill is allocated in full to the sole cash generating unit, constituting the Carrefour Banque Group.

3.3 / Financial assets and liabilities

3.3.1 / Non-derivative financial assets

In accordance with IFRS 9 "Financial Instruments", financial assets are classified in one of three categories:
- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit or loss.

The accounting treatment applied varies according to the classification of the asset and is determined by the Group at the date of initial recognition, based on the contractual characteristics of the cash flows from the asset and purpose for which the asset was acquired (the business model).
Purchases and sales of financial assets are recognised on the transaction date, i.e. the date on which the Group is committed to buy or sell the asset.

3.3.1.1 / Financial assets at amortised cost

Financial assets at amortised cost are debt instruments: loans and advances to customers, the contractual cash flows from which consist solely of payments of principal and interest on that principal, and which are held with the objective of collecting those cash flows (held to collect business model).
Such assets are initially recognised at fair value, which is usually the amount disbursed at inception and includes origination costs directly attributable to the transaction together with certain fee and commission income regarded as an adjustment to the effective return on the loan; subsequently, they are measured at amortised cost using the effective interest method.
Impairment allowances against such assets are determined using the methods described below:
They are written down by means of impairment allowances if they have been subject to one or more loss event subsequent to their initial recognition. Impairment allowances are therefore recognised for customer loans that are subject to a known credit risk. The methodology applied to amounts due from customers is described in Note 3.2.2.

3.3.1.2 / Financial assets at fair value through other comprehensive income

These assets include debt instruments whose contractual cash flows consist solely of payments of principal and interest on that principal, and which are held with the objective of collecting those contractual cash flows and selling the asset (held to collect and sell business model); they are measured at fair value.
Changes in fair value are recognised in “Reclassifiable changes in fair value of debt instruments” and “Non-reclassifiable changes in fair value of debt instruments” until the underlying asset is sold, when they are transferred to profit or loss or to equity respectively.
Financial assets at fair value through other comprehensive income also include investments in equity instruments (primarily shares) which the Group has irrevocably elected to designate in this category. In such cases, when the asset is sold, the unrealised gains and losses that were previously recognised in equity (other comprehensive income) will not be reclassified to profit or loss; only the dividend income is recognised in profit or loss.
The principal type of assets included in this category are equity interests in non-consolidated entities for which the Group has elected to adopt this accounting treatment.
For listed securities, fair value is the quoted market price. For unlisted securities, the preferred methods for determining fair value are by reference to recent transactions or by using valuation techniques that rely on reliable and observable market data. However, in the absence of observable market data for comparable companies, the fair value of unlisted securities is most often determined on the basis of discounted cash flow projections or revalued net assets, using internal parameters (level 3 in the fair value hierarchy).

3.3.1.3 / Financial assets at fair value through profit or loss

This category includes all debt instruments not eligible for classification as either financial assets at amortised cost or financial assets at fair value through other comprehensive income, as well as investments in equity instruments (such as shares) which the Group has not elected to designate as financial assets at fair value through other comprehensive income.
They are measured at fair value, with changes in fair value recognised in net banking income.

3.3.2 / Impairment

For customer exposures measured at amortised cost, impairment is determined using the general method specified in IFRS 9, and represents:
- on initial recognition: expected losses over the next twelve months;
- in the event of a increased credit risk: expected credit losses over the lifetime of the asset.

The impairment model used for customer loans and advances has been adjusted to align with IFRS 9, and involves a two-step process:
- classification into exposure classes with similar risk profiles in terms of the probability of default;
- followed by modelling of the probability of credit losses over a twelve-month period or to maturity (i.e. the residual term of the financial instrument), depending on the classification used.

Classification of customer exposures
Customer exposures are classified into one of three categories, based on an analysis of potential significant increases in credit risk:
- category 1: exposures to customers whose credit risk has not increased significantly since initial recognition;
- category 2: exposures to customers whose financial position has weakened (significant increase in credit risk) since initial recognition, but for which no objective evidence of impairment (default) has yet been identified at individual level;
- category 3: exposures to customers in default.

Significant increase in credit risk
The main criteria used to determine whether there has been a significant increase in credit risk since initial recognition requiring reclassification from category 1 to category 2 are:
- payment arrears: payments more than thirty days past due (rebuttable presumption according to IFRS 9, which the Group has chosen not to rebut);
- renegotiation: renegotiated contracts with payments less than thirty days past due.

Significant increase in credit risk is assessed contract by contract, and the contagion principle is applied to all exposures with the debtor in question.

Objective evidence of impairment (default)

There is objective evidence of impairment when one of the following criteria is met:

- payment arrears: payments more than ninety days past due (rebuttable presumption according to IFRS 9, which the Group has chosen not to rebut);
- renegotiation: contracts renegotiated (without substantial modification) due to the debtor being in significant difficulties, with payments more than thirty days past due;
- legal recovery: contracts subject to debt recovery proceedings at the end of the reporting period;
- contagion: all contracts with any debtor with whom there is a contract that meets one of the first three default criteria.

Customer exposures with objective evidence of impairment are classified in category 3.

Estimating expected credit losses

The expected loss calculation is based on four key parameters: probability of default, loss given default, exposure given default and discount rate. Each of those parameters is calibrated based on a segmentation of customer exposures reflecting the products distributed by each entity (personal loans, credit cards/revolving credit and asset finance), based on historical data and taking account of forward-looking information. The methods used to calibrate the parameters are consistent with those used to comply with the regulatory and prudential requirements (in particular the Basel regulatory framework).

Expected credit losses are calculated for a twelve-month time-frame for category 1 exposures, and over the lifetime of the loan for category 2 and 3 exposures.

To address the risk of debtor insolvency, the Group has set up systems to exercise control over the quality and solvency of customers:

- a decision-making support system which incorporates tools to handle credit scoring, budgets and credit references;
- file queries (positive and negative), where available;
- active management of negotiated and legal recovery procedures;
- permanent credit risk monitoring tools.

Lending operations are monitored by the Credit Risk Department, which is responsible for all these systems. The Risk Management Committee presents an executive summary at every Board meeting.

3.3.3 / Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value, less transaction costs and directly attributable issuance premiums. After initial recognition, they are measured at amortised cost.

The Group's main non-derivative financial liabilities consist of bond issues, other debt securities, passbook accounts, bank borrowings, other negotiable debt instruments, certificates of deposit, trade payables, other creditors and all other operating payables (mainly employee-related liabilities and amounts due to suppliers of non-current assets).

Financial instruments issued by Carrefour Banque Group companies are classified as debt instruments if there is a contractual obligation for the company to deliver cash to the holder in consideration. A debt instrument also exists if the Group is obliged to exchange financial assets or financial liabilities with another entity on potentially unfavourable terms, or to deliver a variable number of its own equity instruments.

Debt securities in issue are measured at amortised cost using the effective interest method.

3.3.4 / Derivative financial instruments

The Group holds derivative financial instruments to cover its exposure to the risks inherent in its activities, mainly interest rate risk. The Carrefour Banque Group is by nature not exposed to foreign exchange risk.

Derivatives are initially recognised at fair value. Subsequent changes in fair value are recognised using the methods described below.

3.3.4.1 / Derivatives designated as hedging instruments

Hedge accounting is applicable if and only if all the following conditions are met:

- the hedging instruments and hedged items in the hedging relationship are eligible for hedge accounting;
- there is a hedging relationship that is clearly and formally documented on the inception date of the instrument, and the effectiveness of the hedging relationship is demonstrated by a qualitative, forward-looking test;
- at the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and of the entity's risk management objective and strategy for undertaking the hedge.

The Carrefour Banque Group applies two types of hedge accounting: cash flow hedges and fair value hedges.

The Group distributes two principal consumer credit product families, which involves managing two types of portfolio: loans associated with the PASS card, and all other personal loans distributed to customers. To protect its financial margin, the Group has developed specific hedging strategies appropriate to each type of portfolio. These strategies use derivatives to limit the impact of a rise in interest rates.

Cash flow hedges

For instruments designated as cash flow hedges, changes in fair value on the effective portion are recognised in other comprehensive income until the hedged transaction impacts profit or loss. Changes in fair value on the ineffective portion are recognised within net banking income.
The fair value remeasurement of the derivative is recognised by adjusting the carrying amount of the derivative in the balance sheet, with the opposite entry recognised in equity.
On inception of a hedging relationship, the Group prepares formal documentation: designation of the hedged instrument or risk (or portion thereof), hedging strategy and nature of the hedged risk, designation of the hedging instrument, and methods used to assess the effectiveness of the hedging relationship.

Fair value hedges

For instruments designated as fair value hedges, changes in fair value are recognised in profit or loss, where they offset changes in the fair value of the underlying item to the extent of the risk hedged by the effective portion.
Swaps used to convert fixed-rate bonds to floating-rate are treated as fair value hedges. The hedged portion of financial liabilities hedged by such swaps is remeasured at fair value. Those changes in fair value are recognised in profit or loss, where they are offset by symmetrical changes in the fair value of the effective portion of the interest rate swap. No assets or liabilities were hedged by fair value hedges as of 31 December 2019 or 31 December 2018.
Gains or losses arising from remeasurements of the derivative are recognised in profit or loss symmetrically with those arising from the hedged instrument to the extent of the hedged risk, such that the net impact on profit or loss is limited to any ineffectiveness of the hedge.
Amounts recognised in equity during the life of the hedge are transferred to profit or loss (as interest income or expense) as and when gains or losses on the hedged instrument are recognised in the income statement.
If the hedged item ceases to exist, the cumulative amount recognised in equity must be recognised in profit or loss immediately.

3.3.4.2 / Other derivative instruments

Other derivative instruments consist of held-for-trading derivatives; they are measured at fair value, with changes in fair value recognised in profit or loss.
Held-for-trading derivatives are reported in the balance sheet within "Financial assets at fair value through profit or loss" if they have a positive fair value, and within "Financial liabilities at fair value through profit or loss" if they have a negative fair value. Realised and unrealised gains and losses are recognised in profit or loss, in "Net gains/losses on financial instruments at fair value through profit or loss".
To pool the hedging needs of the affiliates of Carrefour Banque (i.e. the Spanish financial services operations of the Carrefour Group – "the affiliates"), the Carrefour Banque Group acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the affiliates in the interests of mutualisation, organisational efficiency and access to markets.
In this context:

- the risk designated as the hedged risk is the interest rate risk associated with the interbank rate component included in the rate charged on commercial customer lending transactions;
- the hedging instruments are primarily plain vanilla interest rate swaps;
- retrospective hedge effectiveness is ensured by the fact that all the derivatives, as of their date of inception, have the effect of reducing interest rate risk on the portfolio of underlying hedged assets. Retrospectively, hedge accounting must be discontinued for such a hedge if the underlying assets specifically associated with the hedge for each maturity band are no longer sufficient.

The term "own equity instrument derivative" refers to shares issued by the parent company (Carrefour Banque) and by its fully-consolidated subsidiaries.
IAS 32 specifies the situations in which an own equity instrument derivative must be recognised as an equity instrument, as a debt instrument or as a derivative financial instrument (which in the latter case means that the instrument must be measured at fair value, with changes in fair value recognised in profit or loss).
IAS 32 establishes the following principles:

a) Only those own equity instrument derivatives that will be settled by the exchange of a fixed quantity of cash for a fixed number of own equity instruments can be recognised directly in equity. In such cases, they are not remeasured.
b) An instrument that is settled net or that allows one of the parties to choose the method of settlement is treated as a derivative financial instrument. In such cases, changes in the fair value of the instrument are recognised in profit or loss.
c) An own equity instrument derivative that requires the issuer to repurchase its own shares in exchange for a fixed amount of cash gives rise to a financial liability equal to the redemption amount.

3.3.5 / Method used to determine fair value

Financial instruments are classified in three levels, in decreasing order of the observability of the values and inputs used to determine their fair value:

- level 1 - Financial instruments with quoted market prices: this level consists of financial instruments with directly usable quoted prices in an active market;
- level 2 - Financial instruments measured by valuation techniques that use observable inputs: this level consists of financial instruments valued by reference to (i) similar instruments quoted in an active market, or (ii) identical or similar instruments quoted in an inactive market but for which there are observable transactions, or (iii) financial instruments measured using valuation techniques based on observable inputs;

- level 3 - Financial instruments measured by valuation techniques that use unobservable inputs: an instrument is classified as level 3 if a significant part of its valuation relies on unobservable inputs, defined as inputs whose value is derived from assumptions or correlations that are based neither on observable transaction prices for the same instrument at the measurement date nor on observable market data available as of that date.

Counterparty risk (CVA/DVA), which is taken into account via an adjustment to the model-derived valuation of derivatives, is calculated using observable market data.

The Carrefour Banque Group does not determine the market value of derivative instruments internally, but rather obtains those values from its counterparties.

3.3.6 / Income and expense on financial assets and financial liabilities

Financial assets at fair value through profit or loss

The Carrefour Banque Group reports interest on financial instruments measured at fair value that do not meet the definition of a derivative in "Interest and equivalent income" and "Interest and equivalent expenses". Changes in the fair value of these instruments (other than accrued interest) are reported in "Net gains/losses on financial instruments at fair value through profit or loss".

Hedging derivatives

Interest income and expenses on fair value hedging derivatives are reported with the income from the items whose risk exposure they hedge. Similarly, interest income and expenses on derivatives used to provide economic hedges of transactions designated as "at fair value through profit or loss" are included in the line item which records interest on the hedged transaction.

Financial assets at amortised cost

Income and expense on instruments measured at amortised cost are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that discounts future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

3.3.7 / Cost of risk

Cost of risk includes charges to and reversals of impairment allowances recognised for credit risk on fixed-income securities, and on loans and advances to customers and credit institutions (see note 3.3.2, "Impairment").

It also includes any impairment losses recognised for known risks of default by counterparties in over-the-counter financial instrument contracts, and expenses arising from fraud and litigation relating to lending activities.

3.3.8 / Derecognition of financial assets and financial liabilities

The Group derecognises some or all of a financial asset when the contractual rights to receive the cash flows from the asset expire, or when the Group has transferred the contractual rights to receive the cash flows from the asset and substantially all of the risks and rewards of ownership of the asset. If any of these conditions is not met, the Group retains the asset in its balance sheet, and recognises a liability representing the obligations arising in connection with the transfer of the asset.

The Group derecognises some or all of a financial liability when some or all of that liability is extinguished.

3.3.9 / Offset of financial assets and financial liabilities

A financial asset and financial liability are offset, with a net amount reported in the balance sheet, if and only if the Group has an enforceable legal right to offset the amounts involved and intends either to settle the amount net or to realise the asset and settle the liability simultaneously.

3.4 / Intangible assets and property, plant and equipment

Intangible assets mainly comprise:

- software, which is amortised over periods of between three and eight years. Internally-developed software that meets the criteria for recognition as an intangible asset is capitalised at its direct development cost, which includes external expenses and employee costs directly attributable to the project;
- leasehold rights, which are not amortised but tested for impairment annually;
- acquired intangible rights, which are tested for impairment annually.

Property, plant and equipment under construction is reported at cost net of any impairment losses.

Intangible assets are amortised and property, plant and equipment depreciated from the date they are ready for use until the date of their disposal, retirement or reclassification as held-for-sale assets under IFRS 5.

Depreciation and amortisation are charged on a straight line basis, with the principal components treated separately as appropriate, over the following estimated useful lives:

Licences and software	3 to 8 years
Computer hardware	3 to 5 years
Fixtures and fittings	5 to 8 years
Other assets	3 to 10 years

Given the nature of the assets used by the Group, no residual value is recognised for property, plant and equipment.
Depreciation methods and useful lives are reviewed at each reporting date, and where necessary are adjusted prospectively.
When entering into long-term lease contracts (especially for property assets), the Group analyses the terms of the contract to determine whether it is an operating lease or a finance lease (i.e. a lease which transfers to the lessee substantially all of the risks and rewards of ownership of the asset).
Assets acquired by the Group under a finance lease are accounted for as follows:

- the leased asset is capitalised as an item of property, plant and equipment at the lower of its fair value or the present value of the minimum lease payments. It is then depreciated over the same period as items of property, plant and equipment owned by the Group, or over the term of the lease if this is shorter than the useful life of the asset;
- a corresponding liability is recognised on the liabilities side of the balance sheet;
- the lease payments are split between interest expense and repayments of the liability.

Depreciable assets are tested for impairment if indications of potential impairment are identified at the reporting date.
Non-depreciable assets are tested for impairment at least once a year.
If there is an indication that an asset may have become impaired, the new recoverable amount of the asset is compared with its carrying amount. Any impairment losses are recognised in profit or loss. Impairment losses are reversed if there is a change in the estimate of the recoverable amount or if there is no longer any indication of impairment. Impairment losses are reported in the income statement line item "Amortisation, depreciation and impairment of intangible assets and property, plant and equipment".
Gains and losses on disposals of intangible assets and property, plant and equipment are reported in the income statement line item "Gains and losses on other non-current assets".

3.5 / Employee benefits

Group employees receive short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (jubilee benefits, long-service awards, compensation for paid leave entitlement not taken) and post-employment benefits under defined-contribution and defined-benefit plans (lump-sum retirement benefits, pensions, etc.).

Defined-contribution plans
Defined-contribution plans involve the payment of periodic contributions to an external body that administers and manages the plan. Under such plans, the employer is released from any further obligation; instead, the external body is responsible for paying employees the benefits to which they are entitled. Examples include the basic social security old age scheme in France, top-up retirement plans, and defined-contribution pension plans.
Contributions to such plans are recognised as expenses when they fall due.

Defined-benefit plans
The Carrefour Banque Group records a provision for the various defined-benefit plans under which employees gain entitlement on the basis of their length of service with the Group.
The obligation is calculated annually using the projected unit credit method, taking into account actuarial assumptions such as the rate of salary increases, retirement age, mortality, employee turnover and the discount rate. The discount rate used is the interest rate as of the reporting date on high-quality bonds with a maturity similar to that of the Group's obligations. The calculations are performed by a qualified actuary.
Under the amended IAS 19, which became effective on 1 January 2014, the "corridor" method is no longer permitted. Consequently, the Group recognised all unamortised actuarial gains and losses and unrecognised past service costs in equity; these items will never impact profit or loss.

Share-based payment
Share-based payments are not recognised in the Carrefour Banque Group financial statements on grounds of immateriality.

3.6 / Segment information

By virtue of its organisational structure and internal reporting systems, the Carrefour Banque Group constitutes a single operating segment. The geographical segment in which the Group operates is France. Activities carried on outside France (Italy and Belgium) do not make a material contribution to the activities of the Group.

3.7 / Provisions

Other provisions
In accordance with IAS 37 "Provisions, contingent assets and contingent liabilities", provisions are established at the reporting date if the Group has a present obligation (legal or constructive) as a result of a past event, the amount of that obligation can be measured reliably, and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation. Such obligations may be statutory, regulatory, contractual or constructive. These provisions are estimated using methods appropriate to the nature of the obligation, based on the most likely assumptions. The amount of provisions is discounted where the effect of the passage of time is material.

3.8 / Current and deferred taxes

Income tax expense for the period includes current tax expense and deferred tax expense.
Deferred taxes are calculated using the balance sheet method for all temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and the tax base of that asset or liability (subject to the exceptions specified in IAS 12). Deferred taxes are determined using the liability method; they reflect the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities, and are calculated using tax rates enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised on deductible temporary differences, and for tax losses and tax credits available for carry-forward to the extent that their recovery is regarded as probable.
The expense recorded in France for the corporate value added contribution (CVAE) is also classified as income tax expense, because the Group takes the view that CVAE meets the definition specified in IAS 12.

3.9 / Cash flow statement

"Cash and cash equivalents" consists of the net balances recorded for cash, central banks and postal cheque accounts plus the net balance of loans to/borrowings from credit institutions payable on demand.
Net cash generated by (or used in) operating activities mainly comprises cash flows generated by the activities of the Carrefour Banque Group, transactions with credit institutions, transactions with customers and transactions involving debt securities in issue.
Net cash generated by (or used in) investing activities mainly comprises cash flows generated by acquisitions and disposals of financial assets, and of property, plant and equipment and intangible assets, plus changes in the scope of consolidation.
Net cash generated by (or used in) financing activities mainly comprises inflows and outflows arising from transactions with shareholders (dividends paid in cash, and capital increases paid in cash). Capital increases involving the issuance of shares in exchange for assets are excluded from the cash flow statement if the assets obtained in exchange are of a non-monetary nature.

Note 4
NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2018 AND 31 DECEMBER 2019

4.1 / Financial assets, financial liabilities and derivatives at fair value through profit or loss

Financial assets at fair value through profit or loss, amounting to €4.6 million at 31 December 2019, consist of the positive fair value of swaps contracted by Carrefour Banque on behalf of Servicios Financieros Carrefour (SFC), a non-consolidated Spanish entity. Financial liabilities at fair value through profit or loss, amounting to €4.6 million, consist of the negative fair value of swaps contracted by Carrefour Banque on behalf of SFC.

Carrefour Banque provides a credit facility to SFC, and consequently contracts swaps on the market which are then passed on to SFC.

	31/12/2019			31/12/2018		
(in thousands of euros)	Held for trading	Designated at fair value	TOTAL	Held for trading	Designated at fair value	TOTAL
Financial assets at fair value through profit or loss						
Equities and other variable-income securities	-	-	-	-	-	-
Equities and other variable-income securities	-	-	-	-	-	-
Derivative financial instruments	**4,667**	**-**	**4,667**	**3,716**	**-**	**3,716**
Derivatives	4,667	-	4,667	3,716	-	3,716
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**4,667**	**-**	**4,667**	**3,716**	**-**	**3,716**
Financial liabilities at fair value through profit or loss						
Derivative financial instruments	**4,663**	**-**	**4,663**	**3,824**	**-**	**3,824**
Derivatives	4,663	-	4,663	3,824	-	3,824
Other derivatives	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**4,663**	**-**	**4,663**	**3,824**	**-**	**3,824**

4.2 / Hedging derivatives

The table below shows the fair value of derivative financial instruments used for hedging purposes and those not used for hedging purposes.

	31/12/2019		31/12/2018	
(in thousands of euros)	Notional amount	Fair value	Notional amount	Fair value
CASH FLOW HEDGES	**832,700**	**-6,311**	**1,062,300**	**-4,519**
Interest rate derivatives - liabilities	772,700	-6,311	889,800	-4,875
Interest rate derivatives - assets	60,000	-	172,500	356
FAIR VALUE HEDGES	**-**	**-4,343**	**-**	**-2,615**
Interest rate derivatives - liabilities	-	-4,343	-	-2,615
DERIVATIVES USED FOR HEDGING PURPOSES	**832,700**	**-10,653**	**1,062,300**	**-7,133**
DERIVATIVES NOT USED FOR HEDGING PURPOSES	**2,129,000**	**-159**	**2,028,000**	**-110**
Derivatives - assets		5,665		3,720
Derivatives - liabilities		-5,824		-3,830
COUNTERPARTY RISK	**2,961,700**	**-186**	**3,090,300**	**-526**
Credit value adjustment (CVA) derivatives - liabilities		-249		-563
Debit value adjustment (DVA) derivatives - assets		63		37

Derivative financial instruments used for hedging purposes are contracted over-the-counter.

4.3 / Financial assets at fair value through other comprehensive income (OCI)

	31/12/2019			31/12/2018		
(in thousands of euros)	Gross	Impairment	Net	Gross	Impairment	Net
Financial assets at fair value through OCI	**156,767**	**-**	**156,184**	**156,184**	**-**	**156,184**
Equity investments in non-consolidated entities	29,643	-	29,643	29,668	-	29,668
Other financial assets	127,124	-	127,124	126,516	-	126,516
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	**156,767**	**-**	**156,767**	**156,184**	**-**	**156,184**

Financial assets at fair value through other comprehensive income consist of the investments in the non-consolidated entity Servicios Financieros Carrefour (SFC) and in the HQLA Lyxor fund.

4.4 / Fair value measurement of financial instruments

The classification of financial instruments measured at fair value by valuation method complies with the requirements of IFRS 7 except for CVA and DVA.

	31/12/2019				31/12/2018			
(in thousands of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Held-for-trading financial instruments at fair value through profit or loss	4,667	-	-	**4,667**	3,716	-	-	**3,716**
Hedging derivatives	-	126	-	**126**	-	393	-	**393**
Financial assets at fair value through OCI	156,767	-	-	**156,767**	156,184	-	-	**156,184**
Available-for-sale financial assets	-	-	-	**-**	-	-	-	**-**
Financial liabilities								
Held-for-trading financial instruments at fair value through profit or loss	4,663	-	-	**4,663**	3,824	-	-	**3,824**
Hedging derivatives	-	13,731	-	**13,731**	-	8,053	-	**8,053**

4.5 / Interbank transactions, amounts due from and to credit institutions

Loans and advances to credit institutions

(in thousands of euros)	31/12/2019	31/12/2018
Demand accounts	223,442	220,718
Loans	1,327,190	1,314,731
TOTAL LOANS AND ADVANCES TO CREDIT INSTITUTIONS	**1,550,633**	**1,535,449**

Excluding loans and advances to financial sector customers of €430 million.

Amounts due to credit institutions

(in thousands of euros)	31/12/2019	31/12/2018
Demand accounts	28,259	2,448
Borrowings	360,007	400,001
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	**388,266**	**402,449**

4.6 / Loans and advances to customers, amounts due to customers

Loans and advances to customers

(in thousands of euros)	31/12/2019	31/12/2018
Current accounts in debit	373,823	423,655
Loans to customers	2,183,439	2,477,998
Finance leases	-	-
TOTAL LOANS AND ADVANCES TO CUSTOMERS BEFORE IMPAIRMENT	**2,557,262**	**2,901,653**
Impairment of loans and advances to customers	460,446	439,442
TOTAL LOANS AND ADVANCES TO CUSTOMERS NET OF IMPAIRMENT	**2,096,816**	**2,462,210**

Movements in loans and advances to customers (IFRS 9)

(in thousands of euros)	Stage 1: Non-doubtful exposures	Stage 2: Exposures with significant increase in credit risk	Stage 3: Exposures in default	TOTAL
GROSS EXPOSURES AT 1 JANUARY 2019	**1,754,493**	**723,506**	**423,655**	**2,901,653**
Transfers				
to Stage 1	-	-16,870	19,678	2,808
to Stage 2	3,827	-	31,597	35,424
to Stage 3	-17,156	-30,289	-	-47,445
New financial assets (originated or acquired)	409,461	115,269	13,334	538,063
Financial assets derecognised in the period (other than write-offs)	-538,579	-107,038	-32,298	-677,915
Write-offs	-	-	-186,500	-186,500
Changes due to contractual modifications not requiring derecognition	-23,682	-5,810	9,380	-20,113
Other adjustments	65,270	-112,218	58,234	11,287
GROSS EXPOSURES AT 31 DECEMBER 2019	**1,653,634**	**566,549**	**337,080**	**2,557,263**

Financial assets derecognised in the period (other than write-offs) represent amortisation and repayment of loans. "Other adjustments" relate mainly to changes in exposures due to the new stratification introduced in 2019.

Movements in impairment of loans and advances to customers (IFRS 9)

(in thousands of euros)	Stage 1: Non-doubtful exposures	Stage 2: Exposures with significant increase in credit risk	Stage 3: Exposures in default	Provision for credit risk on off balance sheet commitments	TOTAL
IMPAIRMENT OF EXPOSURES AT 1 JANUARY 2019	**-24,591**	**-111,030**	**-303,821**	**-18,306**	**-457,747**
Transfers					
to Stage 1	-	-253	-11,185	-	-11,438
to Stage 2	2,782	-	-24,566	-	-21,776
to Stage 3	426	10,195	-	-	10,621
New financial assets (originated or acquired)	-3,882	-12,349	-7,057	-	-23,288
Financial assets derecognised in the period (other than write-offs)	389	18,184	131,947	5,782	156,301
Write-offs	-	2	1,231	-	1,233
Changes due to contractual modifications not requiring derecognition	468	3,974	-6,506	-	-2,063
Changes in risk models and parameters	-878	-89,771	-22,567	7,591	-105,625
Other adjustments	-6	-7,615	-3,976	165	-11,432
IMPAIRMENT OF EXPOSURES AT 31 DECEMBER 2019	**-25,292**	**-188,654**	**-246 501**	**-4,768**	**-465,214**

"Changes in risk models and parameters" mainly comprises the impact of changes in estimates of statistical provisions for customer exposures.

Amounts due to customers

(in thousands of euros)	31/12/2019	31/12/2018
Current accounts in credit	24,366	22,788
Term accounts and equivalents	-	-
Other accounts in credit	37,656	33,964
Regulated savings accounts	349,441	421,956
IFRS 16 liabilities	4,416	
TOTAL AMOUNTS DUE TO CUSTOMERS	**415,881**	**478,709**

4.7 / Debt securities in issue

(in thousands of euros)	31/12/2019	31/12/2018
Certificates of deposit	372,000	794,000
Other negotiable debt instruments	572,359	534,741
Bonds	2,165,585	1,997,938
TOTAL DEBT SECURITIES IN ISSUE	**3,109,944**	**3,326,679**

4.8 / Current and deferred taxes

Income tax expense for the period includes current tax expense and deferred tax expense. It also includes the amount recorded in France for the corporate value added contribution (CVAE), because the Group takes the view that CVAE meets the definition specified in IAS 12 "Income Taxes".
Deferred taxes are calculated and recognised using the balance sheet method for all temporary differences between the carrying amount and tax base of assets or liabilities recognised in the consolidated balance sheet (subject to the exceptions specified in IAS 12), and for tax losses available for carry-forward.
Deferred taxes are calculated using tax rates enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted, and are presented within non-current assets and liabilities in the balance sheet.
The recoverability of deferred tax assets is assessed separately for each tax entity, taking account of (i) estimates of future taxable profits/losses derived from the strategic plan for each country and (ii) deferred tax liabilities at the end of the reporting period. Deferred tax assets for which recovery is not regarded as probable are written down via an impairment allowance.

(in thousands of euros)	31/12/2019	31/12/2018
Current tax assets	7,274	8,421
Deferred tax assets	80,352	69,413
CURRENT AND DEFERRED TAX ASSETS	**87,626**	**77,833**
Current tax liabilities	1,782	899
Deferred tax liabilities	2,537	2,096
CURRENT AND DEFERRED TAX LIABILITIES	**4,320**	**2,995**

First-time application of IFRIC 23 did not lead to any changes to the way in which the Group previously measured tax uncertainties. However, tax risks relating to income taxes – previously classified as provisions – are now presented separately within current or non-current tax liabilities, depending on their maturity (within one year, or after more than one year). This new presentation is in line with the IFRIC Agenda Decision of September 2019. (See Note 2 - IFRIC 23.)

Movement in deferred taxes during the period

(in thousands of euros)	31/12/2019	31/12/2018
Net deferred tax asset at start of period	**67,317**	**78,032**
Deferred tax gain/(expense) (see note 5.7)	8,810	-6,405
Changes in deferred taxes arising from financial assets (changes in fair value, and reclassification of past changes in fair value to profit or loss)	-	-
Changes in deferred taxes arising from hedging instruments (changes in fair value, and reclassification of past changes in fair value to profit or loss)	491	12
Other movements	1,197	-4,322
Net deferred tax asset at end of period	**77,815**	**67,317**

The increase in deferred tax assets is due to the tax losses available for carry-forward arising at the end of the reporting period.

Breakdown of net deferred tax asset by source

(in thousands of euros)	31/12/2019	31/12/2018
Available-for-sale financial assets	-	-
Unrealised finance lease reserve	-	-
Provisions for employee benefit obligations	7,175	6,351
Provisions for credit risk	29,474	48,914
Other items	4,231	2,467
Tax losses available for carry-forward	36,935	9,585
Net deferred tax asset	**77,815**	**67,317**
Deferred tax assets	80,352	69,413
Deferred tax liabilities	2,537	2,096

4.9 / Accrual accounting adjustments, other assets and liabilities

(in thousands of euros)	31/12/2019	31/12/2018
Items in course of collection	69,756	85,751
Prepayments	5,539	5,432
Accrued income	9,792	9,139
Other accrual accounting adjustments	6,526	7,745
Sundry Group debtors	13,651	10,877
Other sundry debtors	25,956	35,971
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER ASSETS	**131,219**	**154,915**
Accrued expenses	206	348
Deferred income	20,193	18,310
Items in course of collection	2,692	2,139
Sundry Group creditors	30,907	35,788
Taxes payable	1,700	2,188
Employee-related liabilities	24,036	21,891
Trade payables	24,287	39,862
Other sundry creditors	-1,142	17,866
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER LIABILITIES	**102,878**	**138,393**

4.10 / Intangible assets and property, plant and equipment

	31/12/2019			31/12/2018		
(in thousands of euros)	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount
Investment property	**-**	**-**	**-**	**-**	**-**	**-**
Land and buildings	-	-	-	-	-	-
Equipment, furniture, fixtures and fittings	42,385	31,562	10,823	42,551	28,002	14,549
Assets leased out	-	-	-	-	-	-
Other property, plant and equipment	-	-	-	-	-	-
Property, plant and equipment	**42,385**	**31,562**	**10,823**	**42,551**	**28,002**	**14,549**
Acquired or internally-developed software	99,911	61,665	38,246	94,039	57,431	36,609
Other intangible assets	75,785	-	75,785	75,785	-	75,785
Intangible assets	**175,696**	**61,665**	**114,031**	**169,825**	**57,431**	**112,394**

Intangible assets

"Other intangible assets" include in particular leasehold rights and customer relationships.
For impairment testing purposes, leasehold rights are valued as the sum total of the differences between (i) the market rent and (ii) the rent payable over the residual lease term discounted at the market rate of return.
As of 31 December 2019, impairment testing of these assets on an individual basis (performed using the methods described in note 3.4, "Intangible assets and property, plant and equipment") did not result in the recognition of any impairment losses. (See Note 2 - IFRS 16.)

Depreciation and amortisation

The net amount of depreciation charged against property, plant and equipment was €32 million in 2019, and €28 million in 2018; the net amount of amortisation charged against intangible assets was €61.6 million in 2019.
Minimum future lease payments receivable under non-cancellable leases represent the payments that the lessee is obliged to make during the term of the lease.

4.11 / Provisions

(in thousands of euros)	31/12/2018	Charges	Reversals	Other movements	31/12/2019
Employee benefits	24,596	2,075	-3,013	4,016	27,672
Restructuring provisions	4,226	5,312	-3,393	-	6,145
Provisions for employee-related risks	627	240	-110	-	756
Provisions for legal risks	1,180	-	-	-	1,180
IFRS 9 off balance sheet provisions	18,306	-1,038	-	-12,500	4,768
Other provisions	1,441	9,017	-916	-38	9,504
TOTAL PROVISIONS	**50,376**	**15,606**	**-7,433**	**-8,522**	**50,026**

Material reversals of off balance sheet commitments relate to the review of the IFRS 9 model.

Note 5
NOTES TO THE INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2019

5.1 / Interest and equivalent income and expenses

	2019			2018		
(in thousands of euros)	Income	Expenses	Net	Income	Expenses	Net
Transactions with customers	**181,708**	**1,353**	**180,355**	**205,481**	**2,397**	**203,084**
Accounts, loans and borrowings	181,708	1,353	180,355	205,481	2,397	203,084
Interbank transactions	**7,212**	**176**	**7,037**	**7,212**	**189**	**7,023**
Accounts, loans and borrowings	7,212	176	7,037	7,212	189	7,023
Repos	-	-	-	-	-	-
Debt securities issued by the Group	**5,824**	**1,774**	**4,049**	**4,875**	**1,774**	**3,101**
Cash flow hedging instruments	**10,957**	**18,963**	**-8,006**	**13,359**	**21,776**	**-8,416**
Other interest and equivalent income/expenses	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL INTEREST AND EQUIVALENT INCOME/EXPENSES	**205,702**	**22,266**	**183,435**	**230,928**	**26,136**	**204,791**

5.2 / Fee and commission income and expense

Fee and commission income on financial assets amounted to €83.9 million in 2019 (compared with €77.3 million in 2018); fee and commission expense on financial liabilities not measured at fair value through profit or loss totalled €14.1 million in 2019 (compared with €11.9 million in 2018).

5.3 / Net gains/losses on financial instruments at fair value through profit or loss

"Net gains/losses on financial instruments at fair value through profit or loss" comprises all profit and loss items (including dividends) generated by held-for-trading financial instruments and by financial instruments designated by the Group at fair value through profit or loss, except for interest income and expenses (reported in "Interest and equivalent income and expenses", note 5.1).

(in thousands of euros)	2019	2018
Held-for-trading portfolio	**3,422**	**785**
Debt instruments	-	-
Other derivative financial instruments	3,422	785
Changes in fair value - ineffective portion	-	-
Fair value hedges	**-**	**-**
Losses on hedging instruments	-	-
Gains on hedged items	-	-
Cash flow hedges	**-**	**-**
Changes in fair value of hedging instruments - ineffective portion	-	-
Gain/(loss) from counterparty risk on derivative instruments	**341**	**-206**
Remeasurement of foreign exchange positions	**-**	**-**
TOTAL	**3,764**	**579**

5.4 / Net gains/losses on available-for-sale financial assets and other financial assets not measured at fair value

(in thousands of euros)	2019	2018
Net change in impairment allowance on impaired securities	-	-
TOTAL	**-**	**-**

5.5 / Other income and expenses on banking operations

	2019			2018		
(in thousands of euros)	Income	Expenses	Net	Income	Expenses	Net
Share of joint operations	72,280	10,118	62,162	77,660	13,334	64,326
Expenses recharged to Group companies	6,399	-	6,399	6,876	-	6,876
Other income and expenses on banking operations	1,686	23,535	-21,850	2,131	17,934	-15,803
Net income from insurance activities	-	-	-	-	-	-
TOTAL OTHER INCOME AND EXPENSES ON BANKING OPERATIONS	**80,365**	**33,653**	**46,712**	**86,667**	**31,268**	**55,399**

5.6 / Cost of risk

"Cost of risk" consists of charges to impairment allowances recorded in respect of credit risk arising from the Group's intermediation activities. During 2019, changes to estimates used to calculate Carrefour Banque's cost of risk led to an overall increase in provisions as of 31 December for some classes of customer exposure, especially relating to over-indebtedness.
The additional experience acquired in 2019, and changes to the calculation parameters, mean that the risk model is resilient to the latest regulatory developments on consumer credit and household over-indebtedness.
The main changes to the model are explained below:
- a more sophisticated segmentation of the Carrefour Banque loan book, which is now stratified into twenty layers, with Probability of Default (PD) and Loss Given Default (LGD) calculations differentiated by layer and product;
- creation of a dedicated "over-indebtedness" class with a PD of 100%, to which all over-indebted customer accounts are irreversibly transferred;
- a review of the provisioning arrangements for the loan book, including adjustments to the cash collection observation windows used to calibrate the parameters for calculating expected losses.

The implementation of this new model explains the increase of €91.4 million in cost of risk between 2018 and 2019.

Cost of risk for the period

(in thousands of euros)	2019	2018
Net change in impairment allowances	-7,466	60,118
Charges on customer loans mainly covered by impairment allowances	-164,114	-140,332
TOTAL COST OF RISK FOR THE PERIOD	**-171,581**	**-80,213**

Cost of risk for the period by asset class

(in thousands of euros)	2019	2018
Loans and advances to credit institutions	-	-
Loans and advances to customers	-171,581	-80,213
Other assets	-	-
TOTAL COST OF RISK FOR THE PERIOD	**-171,581**	**-80,213**

Impairment losses recognised for credit risk

Changes in impairment during the period

(in thousands of euros)	2019	2018
TOTAL IMPAIRMENT AT START OF PERIOD	**454,014**	**514,131**
Net change in impairment allowances	7,467	-60,118
TOTAL IMPAIRMENT AT END OF PERIOD	**461,481**	**454,014**

Impairment losses recognised by asset class

(in thousands of euros)	2019	2018
Impairment of assets		
Loans and advances to customers	461,481	454,014
Other assets	-	-
TOTAL IMPAIRMENT AND PROVISIONS RECOGNISED	**461,481**	**454,014**

5.7 / Income tax expense

(in thousands of euros)	2019	2018
Current taxes	9,802	2,018
Deferred taxes	-8,810	6,405
TOTAL	**992**	**8,423**

(in thousands of euros)	2019	2018
Current pre-tax profit/(loss)	**-65,094**	**25,168**
Standard tax rate	33.33%	33.33%
Surtaxes	4.70%	4.70%
Theoretical tax charge/(gain)	**-22,412**	**8,665**
Items taxed at reduced rates		
Net impact of add-backs and deductions (*)	24,176	3,433
Levies and duties equivalent to income taxes	-185	-2,590
Other items	-587	-1,086
Income tax expense/(gain)	**992**	**8,422**
Current income tax expense/(gain) for the period	9,802	2,018
Deferred income tax expense/(gain) for the period	-8,810	6,405

(*) Includes impairment charged against deferred tax assets arising on tax losses available for carry-forward.

First-time application of IFRIC 23 did not lead to any changes to the way in which the Group previously measured tax uncertainties. However, tax risks relating to income taxes – previously classified as provisions – are now presented separately within current or non-current tax liabilities, depending on their maturity (within one year, or after more than one year). This new presentation is in line with the IFRIC Agenda Decision of September 2019. (See Note 2 - IFRIC 23.)

Note 6
RISK EXPOSURE AND REGULATORY RATIOS

6.1 / Overview of risk exposure

The Carrefour Banque Group specialises in providing consumer credit to retail customers. The Group distributes two principal product families: loans associated with the Mastercard PASS card, and the full range of personal loans (new and used cars, motorcycles, home improvements, cash advances, internal/external debt consolidation, asset finance, etc.).
The principal risks identified by Carrefour Banque are:

- Interest rate risk: Carrefour Banque would be adversely affected by interest rate risk if the rate payable on its debts were to rise faster than the rate charged to its customers. An unfavourable movement in interest rates of this kind would be liable to adversely affect the profitability of Carrefour Banque and hence its ability to repay its debts. Carrefour Banque has opted for a policy of matching customer loans with interbank borrowings, in a manner that reflects the term and repayment profile of the customer loans.
- Market risk: Market risk is the risk of loss arising from fluctuations in the prices of financial instruments in a portfolio, and may relate to share prices, exchange rates or other financial products.
- Liquidity risk: This is the risk that an entity may be unable to meet its obligations, or to unwind or offset a position, due to market conditions.
- Solvency risk: Solvency is the ability of Carrefour Banque to secure its future over a relatively long time-frame without defaulting on its payments.
- Credit risk: For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations.
- Counterparty risk: This is the risk that arises if refinancing and/or derivatives transactions are concentrated with a very limited number of counterparties.
- Foreign exchange risk: The Carrefour Banque Group is by nature not exposed to foreign exchange risk. All Group companies are within the European Union, and the dividends received by Carrefour Banque are denominated in euros. If any refinancing is obtained in a currency other than the euro, the foreign exchange risk is neutralised in full at inception.

Carrefour Banque is subject to the regulatory obligations of Regulation 575/2013 of the European Parliament, and is in compliance with those obligations.

6.2 / Credit risk

For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations. Insolvency of borrowers to whom the Company has advanced funds is one of the principal risks affecting its operations. Consequently, Carrefour Banque has specifically focused on systems designed to exercise control over the quality and solvency of its customers, such as:

- a decision-making support system which incorporates tools to handle credit scoring, budgets and credit references, and also checks out negative reports;
- active management of negotiated and legal recovery procedures;
- permanent credit risk monitoring tools.

Provisions for credit risk are established in accordance with currently applicable accounting standards.

Credit risk management

Loan approval systems

The Carrefour Banque Group has its own in-house distribution network. Network sales staff are trained and sensitised to deal with issues relating to the prevention of over-indebtedness and the risk of financial exclusion, and approve loans on the basis of credit scoring and expert systems.

Organisational structure

Carrefour Banque has reinforced its risk management structure by creating a Risk Management and Internal Control Co-ordination Department, bringing together the following functions:

1/ Credit risk:

Responsible for loan acceptance policy, administration of decision-making tools used in the loan approval process, strategies for dealing with defaulting loans, estimating provisioning rates (used as the basis for the cost of risk calculations performed by the Finance Department), compiling and reviewing country risk scores, segmenting the loan book into Basel II exposure classes and checking the quality of the underlying assets in securitisation transactions.

2/ Operational risks and risk mapping:

Responsible for compiling and maintaining risk mapping, and for monitoring and identifying operational risks.

3/ Level 2 permanent control:

Responsible for preparing and executing the level 2 control plan, and for supporting business lines in level 1 control.

4/ Compliance:

Responsible for oversight of financial security, control over outsourced essential services, protection of customer interests, ethical standards and monitoring of regulatory requirements.

5/ Fraud prevention and anti money laundering:

Responsible for establishing rules and for monitoring systems used to prevent fraud, money laundering and the financing of terrorism.

This reinforced organisational structure reflects Carrefour Banque's commitment to enhancing control over the risks it faces while protecting the interests of its customers and complying with currently applicable regulations.

Our subsidiaries and branches are also monitored using these risk management structures, which are backed up by local teams.

Risk measurement and oversight

- Governance of risk operates via:
  - a Credit Risk Management Committee that meets quarterly, and consists of the Chief Financial Officer plus representatives from the operational management, sales, risk management, finance, marketing, compliance and permanent control functions. This Committee makes decisions on operational matters relating to control over credit risk. It establishes credit risk indicators, approves escalation criteria, flags up problem areas and disseminates information. The Committee's role is defined in the risk management policy;
  - Carrefour Banque BNPP PF Risk Committee: this Committee meets quarterly, and brings together managers from major BNPP PF partners and the Carrefour Banque Risk Management department. It performs benchmarking on trends in risk indicators, and assesses performance on legal and negotiated recovery performance;
  - Board of Directors (four meetings a year): each Board meeting includes a presentation on risk trends, and action plans for controlling credit risk (both preventive and remedial measures).
- Oversight of risk using risk monitoring indicators:
  - quarterly controls over internal ratings, based on comparisons between predicted and actual values for regulatory parameters. To reinforce these controls, Carrefour Banque has developed an indicator that measures the equity impact of predicted-to-actual variances in regulatory parameters;
  - quarterly controls over prudence of estimators via a quality indicator. These quality indicators are provided to the Permanent Control function so that they can assess the impact of prediction-to-actual variances on equity. The indicator is split into an expected loss component and an unexpected loss component. It indicates both the direction and amount of the variance;
  - quarterly back-testing of all scores (Basel II segmentation relies essentially on the operational scores used by the Group); analysis of loan approval scoring performance by product and generation, as a control over scoring accuracy; analysis of trends in the composition of risk factors, as a control over the robustness of the scoring process; stability analysis versus prior quarter and target;

- monthly loan acceptance review: loan application acceptance rate, with focus on reconciling the decision per the expert system with the advisor's decision, by product and by salesperson;
- monthly review of level of risk on approval by product, by salesperson and by advisor, in quantity and in amount, with distribution to salespeople of lists of over-indebtedness referrals less than three months old;
- monitoring of application profiles, application conversion (expert system decisions versus salesperson decision) and generational risk;
- monthly review of "rejected-approved" applications by salesperson, product and reason (system decision compared to salesperson decision), including applications initially rejected due to inadequate score, budget overrun or non-compliance with standards. The aim is to understand trends in applications initially rejected but then approved in order to identify additional training needs and the reasons why rejected applications are subsequently approved, and to see whether the system is too restrictive. Since 2008, the information system has required an explanation for any application initially refused but subsequently accepted;
- monthly review of cost of risk, trends in over-indebtedness referrals and compromised loans, debt recovery referrals, and collections on debt recovery proceedings by counterparty;
- daily review of effectiveness of in-house recovery (number of calls made and received, percentage of regularisations, etc.) by customer manager, by group head and by phase, supplied to staff via the "risk weather report", and to external service-providers.

Obligations related to the use of internal ratings systems to calculate capital requirements in respect of credit risk
Applying Basel II standards requires a bank to implement procedures to ensure that the parameters used to calculate the capital requirement are accurate, robust and consistent.
To meet the requirements of the Basel accord, Carrefour segments its loan book into exposure classes. The segmentation process combines obvious industry knowledge about risk levels (such as the distinction between standard loans and revolving credit) with statistical modelling. Loans grouped within a given exposure class have broadly similar characteristics in terms of probability of default, and the probabilities of default for the various exposure classes reflect differentiated risk profiles.

Non-doubtful exposures
Under IFRS 9, a distinction is drawn between non-doubtful exposures and restructured exposures (loans wholly or partially rescheduled or refinanced).

Doubtful exposures
The table below shows doubtful exposures, and the related impairment allowances.

	31/12/2019			31/12/2018		
(in thousands of euros)	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures
Loans and advances to customers	**373,823**	**246,501**	**127,323**	**423,655**	**303,821**	**119,833**
TOTAL DOUBTFUL EXPOSURES	**373,823**	**246,501**	**127,323**	**423,655**	**303,821**	**119,833**

Ageing of doubtful exposures

31 December 2019 (in thousands of euros)	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
Loans and advances to customers	112,183	19,966	26,062	89,846	125,767	373,823
Impairment allowances on doubtful exposures	54,265	6,664	16,010	70,173	99,389	246,500
Doubtful exposures by time past due	**57,918**	**13,302**	**10,052**	**19,673**	**26,377**	**127,323**

31 December 2018 (in thousands of euros)	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
Loans and advances to customers	76,914	11,315	24,505	84, 567	226,353	423,654
Impairment allowances on doubtful exposures	46,746	7,162	17,287	57,466	175,159	303,821
Doubtful exposures by time past due	**30,168**	**4,152**	**7,218**	**27,101**	**51,194**	**119,833**

6.3 / Interest rate risk on the banking book

Overview of interest rate risk management
Carrefour Banque has two principal customer banking books denominated in euros (personal loans and revolving credit), for which specific interest rate hedging strategies are used.
The objective is to protect the Group's financial margin by using plain vanilla interest rate swaps.
Interest rate risk is overseen by a monthly risk committee, which defines appropriate indicators and sets risk limits.

6.4 / Liquidity risk

The exposure of the Carrefour Banque Group to liquidity risk is monitored via a liquidity policy approved by senior management as part of the Group's overall policies.
The Group's refinancing position is assessed using internal standards, early warning indicators and regulatory ratios.

Liquidity risk management aims to address the following objectives:
- security of refinancing, based on a monthly review of projected cash surpluses or needs via a comparison between (i) a static or dynamic projection of commitments received and (ii) a dynamic projection of customer exposures;
- a gradual move to compliance with the new Basel III liquidity ratios;
- diversification of sources of refinancing (interbank, bonds, securitisation, negotiable debt instruments, on balance sheet savings deposits).

Note 7
EMPLOYEE REMUNERATION AND BENEFITS

7.1 / Personnel costs

Personnel costs amounted to €78.3 million in 2019, compared with €92.8 million in 2018.
Fixed and variable salaries and wages, plus voluntary and statutory profit-sharing expenses, came to €54 million (versus €59 million in 2018); retirement benefits, pension costs and other social charges amounted to €24.2 million (versus €28.2 million in 2018); and payroll-based taxes and equivalents totalled €5.4 million (versus €5.5 million in 2018).

7.2 / Post-employment benefits

The cost of defined-benefit plans is determined at the end of each annual reporting period using the projected unit credit method. The calculation is based on an actuarial method that builds in assumptions about salary increases and the retirement age.
The Group's defined-benefit plans take the form of retirement benefits payable under collective agreements in a single lump sum on the retirement date. In accordance with currently applicable legislation and collective agreements, the Group pays a lump-sum benefit to each employee on retirement, expressed in number of months' salary (based on the salary paid in the twelve months preceding retirement) and determined according to the employee's length of service with the Group.

Net expense for the period

(in thousands of euros)	2019	2018
Service cost	-813	1,522
Interest expense	415	373
Expected return on plan assets	-	-
Amortisation of actuarial gains and losses	-	-
Other items	-	-
Net expense/(income)	**-399**	**1,896**

Movement in the provision

(in thousands of euros)	TOTAL
Provision at 31 December 2018	**13,575**
Impact in income statement	-399
Effect of changes in scope of consolidation	-176
Benefits paid directly by the employer	-364
Other items	-
Provision at 31 December 2019	**12,636**

Amount of the liability

Obligation (in thousands of euros)	**TOTAL**
Defined benefit obligation at 31 December 2018	**24,596**
Provision	12,636
Fair value of plan assets	-
Gross obligation	**12,636**
Actuarial gains and losses	15,037
Defined benefit obligation at 31 December 2019	**27,672**

Actuarial assumptions

The assumptions used in the measurement of retirement benefit obligations are as follows:

Assumptions	**2019**	**2018**
Age at retirement	60 - 65 years	60 - 65 years
Salary inflation rate	2.5%	2.5%
Social security charges rate	53%	55%
Discount rate	0.75%	1.60%

7.3 / Other long-term benefits

The Group operates a scheme that enables employees who work during part of their paid leave entitlement to save credits in exchange for future benefits. The provision recorded in respect of this scheme was €1.6 million at 31 December 2019 and 31 December 2018.

7.4 / Executive remuneration

Remuneration paid to key executives totalled €1.613 million for the year ended 31 December 2019, compared with €1.46 million for the year ended 31 December 2018.

Note 8

FINANCING AND GUARANTEE COMMITMENTS

8.1 / Financing commitments

Contractual value of financing commitments given and received by the Group

(in thousands of euros)	31/12/2019	31/12/2018
Financing commitments given		
To credit institutions	**908,500**	**984,000**
Hedging commitments	908,500	984,000
To customers	**2,017,730**	**2,198,584**
Confirmed credit facilities	2,017,730	2,198,584
Hedging commitments	-	-
Other commitments	-	-
Pledges	**1,837**	**1,602**
Securities commitments	**430,000**	**470,000**
TOTAL FINANCING COMMITMENTS GIVEN	**3,358,067**	**3,654,186**
Financing commitments received		
From credit institutions	**3,903,200**	**4,149,952**
Hedging commitments	2,053,200	2,106,300
Refinancing commitments	1,850,000	2,043,652
Guarantee commitments	**-**	**-**
From customers	**-**	**-**
TOTAL FINANCING COMMITMENTS RECEIVED	**3,903,200**	**4,149,952**

8.2 / Signed guarantee commitments given and received

(in thousands of euros)	31/12/2019	31/12/2018
Guarantee commitments given		
To credit institutions	**-**	**-**
To customers	**5,161**	**4,895**
Administrative, tax and other sureties	5,161	4,895
Other guarantees given to customers	-	-
TOTAL GUARANTEE COMMITMENTS GIVEN	**5,161**	**4,895**
Guarantee commitments received		
Sureties received	21,276	21,276
TOTAL GUARANTEE COMMITMENTS RECEIVED	**21,276**	**21,276**

8.3 / Other guarantee commitments

Financial instruments posted as collateral

(in thousands of euros)	31/12/2019	31/12/2018
Securities posted as collateral	-	-

Financial instruments received as collateral

As of 31 December 2019 and 31 December 2018, no financial instruments received by the Group as collateral or in reverse repos had been effectively sold or reposted as collateral.

Note 9
ADDITIONAL INFORMATION

9.1 / Changes in share capital

As of 31 December 2019, the share capital of Carrefour Banque consisted of 6,614,184 shares with a par value of €15.30, all fully paid; 60% of the share capital is held by Carrefour SA, and 40% by BNP Paribas Personal Finance SA (BNPP PF).
On 29 May 2015, 89,828 new shares were issued on exercise of the share warrants held by BNPP PF, representing a capital increase of €1.4 million.
In 2010, 506,148 new shares with an aggregate par value of €7.8 million were issued in connection with acquisitions and asset-for-share exchange transactions involving in-store finance and insurance booths, the aim of which was to unite within Carrefour Banque the banking and insurance product distribution networks previously carried by various legal entities within the Carrefour Group. Of those newly-issued shares, 358,181 (€5.5 million) were issued in exchange for the transfer of the finance booths to Carrefour Banque.

9.2 / Changes in share capital and reserves of subsidiaries attributable to the Group and to non-controlling interests

The Carrefour Banque Group does not have any non-controlling interests in its consolidated financial statements.

9.3 / Business combinations

No business combinations took place in 2019.

9.4 / Related-party transactions

Transactions between the Carrefour Banque Group and related parties (the Carrefour Group and the BNPP PF Group) are concluded on the market terms prevailing on the date of the transaction.
The tables below show year-end balances and items of income and expense arising from transactions with other companies in the Carrefour and BNPP PF groups.

Related-party transactions – year-end balances

	31/12/2019		31/12/2018	
(in thousands of euros)	BNPP PF	Carrefour	BNPP PF	Carrefour
ASSETS				
Loans, advances and securities				
Current accounts	40,917	-	47,126	-
Loans	-	1,326,500	-	1,314,000
Sundry assets	**-**	**13,651**	**-**	**10,877**
TOTAL	**40,917**	**1,340,151**	**47,126**	**1,324,877**
LIABILITIES				
Deposits				
Current accounts	-	-	-	-
Other borrowings	-	-	-	-
Sundry liabilities	**-**	**30,907**	**-**	**35,788**
TOTAL	**-**	**30,907**	**-**	**35,788**
Loan and guarantee commitments				
Financing commitments received	632,500	500,000	635,000	500,000
Other guarantee commitments				
Other guarantee commitments received	20,996	-	20,996	-

Related-party transactions – income and expenses

(in thousands of euros)	31/12/2019		31/12/2018	
	BNPP PF	Carrefour	BNPP PF	Carrefour
Interest and equivalent income	17	6,400	31	6,876
Interest and equivalent expenses	-1,478	-25,275	-1,657	-19,779
Fee and commission income	1,549	-	1,663	-
Fee and commission expenses	-3,457	-	-3,623	-
TOTAL	**-3,369**	**-18,876**	**-3,586**	**-12,903**

9.5 / Maturity schedule

The table below breaks down financial assets and financial liabilities reported in the balance sheet by contractual maturity. Financial assets at fair value through profit or loss and available-for-sale financial assets are regarded as "undetermined" since these instruments are liable to be sold or redeemed prior to maturity. Derivative instruments (including CVA and DVA) are also regarded as "undetermined".

31 December 2019 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	473	-	-	-	-	473
Financial assets at fair value through profit or loss	4,667	-	-	-	-	-	4,667
Hedging derivatives	64	-	-	-	-	-	64
Financial assets at fair value through OCI	156,767	-	-	-	-	-	156,767
Loans and advances to credit institutions at amortised cost	-	654,149	-	1,326,500	-	-	1,980,649
Loans and advances to customers at amortised cost	-	278,583	172,621	402,905	1,185,155	57,552	2,096,816
Securities at amortised cost	-	1	-	-	-	-	1
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	**161,498**	**933,206**	**172,621**	**1,729,405**	**1,185,155**	**57,552**	**4,239,437**
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	4,663	-	-	-		-	4,663
Hedging derivatives	10,577	-	-	-	-	-	10,577
Amounts due to credit institutions	-	28,266	-	-	360,000	-	388,266
Amounts due to customers	-	29,881	386,000	-	-	-	415,881
Debt securities in issue	-	454	872,000	148,000	2,089,490	-	3,109,944
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	**15,240**	**58,601**	**1,258,000**	**148,000**	**2,449,490**	**-**	**3,929,331**

31 December 2018 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	15,686	-	-	-	-	15,686
Financial assets at fair value through profit or loss	3,716	-	-	-	-	-	3,716
Hedging derivatives	393	-	-	-	-	-	393
Available-for-sale financial assets	156,184	-	-	-	-	-	156,184
Loans and advances to credit institutions	-	221,449	-	1,314,000	-	-	1,535,449
Loans and advances to customers	-	318,345	205,958	478,515	1,395,514	63,878	2,462,210
Remeasurement difference on interest rate hedged portfolios	-	17	-	-	470,000	-	470,017
Financial assets by maturity	**160,293**	**555,497**	**205,958**	**1,792,515**	**1,865,514**	**63,878**	**4,643,655**
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3,824	-	-	-	-	-	3,824
Hedging derivatives	8,053	-	-	-	-	-	8,053
Amounts due to credit institutions	-	2,449	-	-	400,000	-	402,449
Amounts due to customers	-	24,578	454 131	-	-	-	478,709
Debt securities in issue	-	1,665	1,064,000	830,000	1,431,014	-	3,326,679
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	**11,877**	**28,692**	**1,518,131**	**830,000**	**1,831,014**	-	**4,219,714**

9.6 / Fair value of financial instruments carried at amortised cost

The disclosures contained in this note should be used and interpreted with the utmost caution, for the following reasons:

- these fair values represent a snapshot estimate of the value of these instruments as of 31 December 2019. They are liable to fluctuate from day to day as a result of variations in a number of parameters, including interest rates and counterparty credit quality. In particular, these fair values may be materially different from the amounts actually paid or received on maturity of these instruments. In most cases, these remeasured fair values are not intended to be (and in practice could not be) realised immediately. Consequently, they do not represent the effective value of these instruments for the Carrefour Banque Group on a going concern basis;
- most of the snapshot fair values are not meaningful, and hence are not taken into account in managing the Carrefour Banque Group activities that use these financial instruments.

	31/12/2019		31/12/2018	
(in thousands of euros)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Loans and advances to credit institutions	1,980,649	1,980,649	1,535,449	1,535,449
Loans and advances to customers	2,096,816	2,097,142	2,462,210	2,461,578
Financial liabilities				
Amounts due to credit institutions	388,266	388,266	402,449	402,449
Amounts due to customers	415,881	415,881	478,709	478,709
Debt securities in issue	3,109,944	3,109,944	3,326,679	3,326,679

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
The fair values of the assets and liabilities mentioned in the table above were determined using the discounted cash flow method.

9.7 / Disclosure of interests in other entities

The schedule below shows information about the non-consolidated structured entities in which Carrefour Banque has an interest.

Entity (in thousands of euros)	Year	Description of activity	Status	Amount advanced	Debt waivers
GIE GNIFI	2006	Nickel and cobalt processing plant in New Caledonia	Ongoing	18,510	-18,510
SCI Ambaville	2013	Social and ultra-social housing in Réunion	Ongoing	6,124	-4,015
SCI Kecho 2	2014	Social housing in New Caledonia	Ongoing	8,400	-
TOTAL				**33,034**	**-22,525**

9.8 / Operations outside France

(in thousands of euros)

Name of operation	Carrefour Banque/GIE	Carrefour Banca	Fimaser	
Description of business	**Credit institution, investment services provider**	**Lending, payment media management and insurance brokerage**	**Electronic money issuance, lending and insurance brokerage (life insurance only)**	**TOTAL**
Country	France	Italy	Belgium	
Revenues	N/A	N/A	N/A	**N/A**
Net banking income	263,853	15,744	23,417	**303,014**
Average number of full-time employees	1,292	9	66	**1,367**
Public subsidies received	NONE	NONE	NONE	**NONE**
Current pre-tax profit/(loss)	-77,385	3,572	8,719	**-65,094**
Current taxes	-6,914	-88	-2,800	**-9,802**
Deferred taxes	8,840	34	-64	**8,810**

9.9 / Auditors' fees

(in thousands of euros)	DELOITTE	KPMG
Audit of financial statements	230	320
Non-audit services (CSR)	-	-
TOTAL AUDITOR'S FEES	**230**	**320**

Consolidated financial statements

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2019

To the Annual General Meeting of the shareholders of Carrefour Banque SA,

OPINION

In accordance with the assignment entrusted to us by your Annual General Meeting, we have conducted our audit of the accompanying consolidated financial statements of Carrefour Banque SA for the year ended 31 December 2019.
The financial statements were closed by the Board of Directors on 27 April 2020 based on information available as of that date, in the context of the evolving public health crisis related to Covid-19.
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 International Financial Reporting Standards (IFRS) as endorsed by the European Union.
The opinion expressed above is consistent with the contents of our report to the Audit Committee.

BASIS FOR OUR OPINION

Auditing standards

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 audit opinion.
Our responsibilities under those standards are described in the section "Statutory auditors' responsibilities for the audit of the consolidated financial statements" below.

Independence

We conducted our audit engagement in compliance with the rules on independence that applied to us during the period from 1 January 2019 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics of the auditing profession.
Services other than audit of the financial statements that we provided to your company (and to entities controlled by it) during the year ended 31 December 2019 and not disclosed in the management report or the notes to the financial statements consist of the issuance of a comfort letter in connection with the updating of the prospectus for the Carrefour Banque SA Euro Medium Term Notes (EMTN) programme.

Emphasis of matter

Without modifying the opinion expressed above, we draw to your attention the changes in accounting policy arising from the first-time application of IFRS 16 ("Leases") and IFRS 23 ("Uncertainty Over Income Tax Treatments"), as presented in note 2 to the consolidated financial statements. We also draw to your attention the change in estimates within the credit risk assessment and calculation model, as described in the financial statements note on significant events of 2019 and in note 5.6, "Cost of risk".

Justification of our assessments – Key audit matters

Pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the consolidated financial statements for the year, and our response to those risks.
Our assessment should be seen in the context of the audit of the consolidated financial statements taken as a whole and closed off on the basis described above, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the consolidated financial statements taken in isolation.

MEASUREMENT OF IMPAIRMENT OF LOANS AND ADVANCES TO CUSTOMERS

Risk identified and key judgments	Our audit approach
The Carrefour Banque Group is exposed to credit risk and counterparty risk. Those risks arise as a result of the inability of customers or counterparties to meet their financial obligations, and require the recognition of impairment allowances to cover such risks. Expected loss calculations are performed in accordance with IFRS 9. In addition to the methods used to determine impairment allowances for incurred credit risk (category 3), IFRS 9 requires allowances to be recognised for expected losses, which are estimated as follows: - for exposures classified in category 1: expected loss over a twelve-month time-frame if credit risk has not increased significantly since initial recognition; - for exposures classified in category 2 and category 3: expected loss to maturity, where a significant increase in credit risk since initial recognition has been identified. As stated in IFRS 9, estimating expected and incurred credit losses requires the exercise of judgement, in particular when determining: - certain parameters used in the expected loss calculation and in particular probability of default, loss given default, exposure given default and the discount rate; - criteria for a significant increase in credit risk; - how to build macroeconomic projections into expected loss metrics. The note on significant events of 2019, note 3.3.2 within the note on accounting policies, note 4.6 "Loans and advances to customers, amounts due from customers" and note 5.6 "Cost of risk" to the consolidated financial statements address all aspects of the estimation of credit losses. As disclosed in note 4.6, total impairment allowances against loans and advances in the balance sheet as of 31 December 2019 amounted to €460 million. Cost of risk for the year ended 31 December 2019 was €171.5 million (note 5.6). Given the complexity of implementing the impairment principles of IFRS 9 and the extent of the accounting estimates required to determine expected losses, we regarded measurement of impairment losses against loans and advances as a key audit matter.	With support from our credit experts, we reviewed the segmentation into portfolios and the mapping of models for each product family, including an analysis of the conformity of calculation and calibration methods with IFRS 9, with particular reference to: - the criteria for determining a significant increase in credit risk; - expected loss calculations (including calibration of probability of default and loss given default, and the use of forward-looking information). We conducted a cross-check by running a calculation using our own tools, to obtain assurance that operational risk was controlled. We reviewed the operational implementation of impairment models, including a review of the quality of the computer applications used to calibrate risk parameters and the compliance of those applications with the relevant methodology. We reconciled the schedules used to manage and calculate impairment rates with the accounting records, in order to check that the impairment rates used were consistent with those derived from the calculation model. Our IT experts reviewed the overall IT structure in place within Carrefour Banque, including a review of general IT controls, interfaces and embedded controls specific to IFRS 9 flows. We assessed the control systems put in place by Carrefour Banque in connection with the calculation process. Finally, we assessed the appropriateness of the disclosures provided in the note on significant events of 2019 and in notes 3.3.2, 4.6 and 5.6 to the consolidated financial statements.

SPECIFIC VERIFICATIONS ON THE GROUP MANAGEMENT REPORT

We also carried out, in accordance with professional standards applicable in France, the specific verifications required by the law and regulations on the information about the Group presented in the Board of Directors' management report.
We have no matters to report regarding the fairness or consistency with the consolidated financial statements of the information presented in the management report prepared by the Board of Directors as closed off on 27 April 2020 or in other documents addressed to the shareholders about the company's financial position and consolidated financial statements. As regards events that occurred and information that became known in respect of the effects of the Covid-19 crisis after the date on which the consolidated financial statements were closed off, management informed us that an update will be provided at the Annual General Meeting held to approve the financial statements.

INFORMATION REQUIRED UNDER OTHER LEGAL OR REGULATORY OBLIGATIONS

Appointment as statutory auditors

We were appointed as statutory auditors of Carrefour Banque SA by the Annual General Meetings of 25 May 2004 (Deloitte & Associés) and 25 June 1980 (KPMG).
As of 31 December 2019, Deloitte & Associés was in its sixteenth uninterrupted year as statutory auditor, and KPMG in its fortieth.

RESPONSIBILITIES OF MANAGEMENT, AND OF THOSE CHARGED WITH GOVERNANCE, FOR THE CONSOLIDATED FINANCIAL STATEMENTS

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as endorsed by the European Union, and to implement such internal control as it 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, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.
It is the responsibility of the Audit Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.
The consolidated financial statements were closed off by the Board of Directors on 27 April 2020.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated 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 be reasonably 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 Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. In addition, the auditor:

- 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 that is sufficient and appropriate to provide a basis for the auditor's 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 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;
- concludes on 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. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or disclaimer;
- evaluates the overall presentation of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them;
- obtains what the auditor considers 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 auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements, and for the opinion expressed on those financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee that describes inter alia the scope of our audit, the work programme followed, and our findings. We also inform the Audit Committee of any significant deficiencies in internal control we have identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Audit Committee includes those risks of material misstatement that we determined were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We also provide the Audit Committee with the written confirmation (as required under Article 6 of Regulation (EU) No.537-2014) of our independence, within the meaning of the rules applicable in France and contained inter alia in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Audit Committee about risks to our independence, and related safeguards.

Paris La Défense, 13 May 2020

The Statutory Auditors

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Carrefour
banque et
assurance

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