



Annual Report 2020

Carrefour
banque et
assurance



Carrefour Banque et Assurance News



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Helping our customers with their projects and their needs

A pioneer in the consumer credit and payment cards market, Carrefour Banque was founded 40 years ago. We introduced one of the very first storecards, combining credit solutions with a host of benefits available in Carrefour stores. Carrefour's banking subsidiary has now evolved to provide a comprehensive range of accessible and highly effective products – from bank cards to personal loans, and from passbook accounts to insurance.

We believe in staying close to our customers. That's why we have developed a multi-channel banking approach, to make it easier for new applicants to go paperless and to switch between channels as they complete their application. Our products are available in branch offices right next to Carrefour stores and in dedicated service booths in store foyers. They are also available by phone, online, and through smartphone apps.

Our ties with Carrefour are a unique selling point, giving customers exclusive and frequently-refreshed loyalty rewards, and access to services available only to "Carte PASS" holders.

To offer great customer service, Carrefour Banque and its finance teams are physically present in dedicated booths within hypermarkets, located in the store foyer where footfall is greatest. This enhances our visibility, and brings us very close to our customers. We regularly measure customer satisfaction using NPS metrics and the "555" approach developed by our parent company in 2020.

Despite the very challenging situation in 2020 caused by the Covid-19 pandemic, we mobilised our resources to ensure business continuity. We switched to teleworking on a massive scale for our support functions, and adopted exceptional working practices to deal with the exceptional circumstances. Customer contact was organised by appointment only, or remotely. By adapting quickly and effectively, we were able to meet our customers' needs throughout the year, while also progressing with our transformation projects.



CARTE PASS: 40 YEARS OF INNOVATION, SERVICES, REWARDS AND LOYALTY

The "Carte PASS", the cornerstone of our product range, celebrates its 40th anniversary in 2021.

The "Carte PASS" Mastercard is a credit card that can be used at Carrefour and other outlets, both in France and abroad. Cardholders build up rewards when they buy at Carrefour, and are offered flexible deferred payment solutions.

Since 1981, the "Carte Pass" – one of France's first-ever storecards – has been ever-present in the lives of our customers and stores.

Over that time, and through a series of design makeovers, the card has consistently enhanced the customer experience with exclusive rewards, special promotional days, dedicated checkout lanes, and payment options such as three interest-free instalments and three-month deferral.

These rewards remain very popular with shoppers, and a strong driver of customer loyalty.

Back in 2009, Carrefour Banque was one of the very first issuers of contactless cards: an innovation that has really come into its own in recent months. The "Carte PASS" is the only contactless card that shoppers can use to spend up to €100 in Carrefour stores.

Since then, we have harnessed technology and innovation to constantly upgrade the customer experience and the benefits of using the card, such as the 2016 launch of a smartphone-based payment app with Apple Pay.

In 2020, we rolled out "Service Clé Sécure", enabling customers to choose a secret code activated from the Carrefour Banque smartphone app that makes their online transactions more secure and controls access to their customer account.



A COMPLETE RANGE OF CREDIT SOLUTIONS

“PASS” loan

The “PASS” loan, our longest-established product, is a revolving loan facility linked to the “Carte PASS” payment card. Customers can choose between cash payment or credit whenever they make a purchase.

“PASS” loans offer cardholders the option to alter their regular monthly payments, and are reconstituted as and when balances are repaid.

Personal loans

Personal loans enable people to borrow at attractive interest rates to pay for a whole range of everyday projects, from cars or holidays to redecorating their homes. Up to €50,000 can be borrowed over an 84-month period.

Asset finance

Carrefour Banque offers in-store loans in Carrefour hypermarkets, to pay for non-food purchases of €150 or more. This offer is regularly marketed at promotional rates during special themed events across the Carrefour chain, such as the annual wine festival or the back-to-school period.

SAVINGS AND INSURANCE

Passbook accounts

At a time when interest rates on savings accounts are very low, Carrefour Banque passbook account-holders can enjoy an interest rate uplift if they use their “Carte PASS” to make payments at Carrefour outlets and/or set up a monthly payment plan.

Life insurance

Carrefour’s life insurance offer, developed in partnership with AXA, continues to perform well. At a time of shrinking returns in the market, the euro-denominated fund associated with the Carrefour Horizons multi-asset life insurance contract delivered an attractive 1.69% (net of management fees) for 2020.

Everyday insurance

Carrefour Banque offers a diverse range of insurance products, from car and home policies to family protection insurance.



Governance

Carrefour Banque has a solid share ownership structure, which has remained unchanged since 1985: Carrefour 60%, BNPP PF 40%. Carrefour Banque is rated BBB+ negative outlook, A-2 by Standard & Poor's.

Board of Directors

Benjamin Dubertret

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

Christel Matrat

Chief Executive Officer
and Director Domofinance

Bruno Lebon

Executive director
Hypermarket Carrefour
France

Élodie Perthuisot

Director Data E-commerce
and Digital Transformation
Carrefour

Specialised committees

Risk committee

Michel Falvert

Chair

Benjamin Dubertret

Bruno Lebon

Remuneration committee

Bruno Lebon

Chair

Benjamin Dubertret

Michel Falvert

Audit committee

Benjamin Dubertret

Chair

Michel Falvert

Élodie Perthuisot

Nomination committee

Benjamin Dubertret

Chair

Michel Falvert

Bruno Lebon

Executive committee

Orli Hazan

Chief Executive Officer

Antoine Delautre

Deputy Chief Executive
Officer, Head of
Administration and Finance

Franck Ouradou

Deputy Chief Executive
Officer, Head of Risk,
Commitment and Control

Sophie Bossong

Head of Sales
and Marketing

Marcus Schomakers

Head of Information
Systems

Gaëlle Yon

Head of Human Resources

Key Indicators

The indicators cover the consolidation scope of banking activities in France, Italy and Belgium at 31st December 2020.

Net banking income

€262 million

Solvency ratio

19.01%

Liquidity coverage ratio (LCR)

223.87%

Loans outstanding

€2,027 million

Savings under management

€1,766 million

Passbook savings deposits

€320 million

Cards

2 million

Statement of inactive accounts at end 2020 : 7,249 savings accounts paid over to the Caisse des Dépôts et Consignations (CDC) for a total of €551,406.97.



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of profits**

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report**

Company financial statements

Balance sheet at 31st December 2020

ASSETS (in thousands of euros)	Note	2020	2019
Cash and central banks		507	125
Government debt securities and equivalents		-	-
Amounts due from credit institutions	2-4	1,265,542	1,541,006
Transactions with customers	3-4	1,163,627	1,566,10
Bonds and other fixed-income securities	5	597,629	610,371
Equities and other variable-income securities	5	122,512	123,110
Participating interests and other long-term investment securities	5	755	738
Interests in related undertakings	8	22,400	25,216
Finance leases		-	-
Operating leases		-	-
Intangible assets	9	108,837	119,620
Property, plant and equipment	9	3,366	10,811
Capital called but not paid		-	-
Treasury shares		-	-
Other assets	10	84,313	109,661
Accrual accounting adjustments	10	72,541	77,978
TOTAL ASSETS		3,442,032	4,185,245
OFF BALANCE SHEET COMMITMENTS		2020	2019
Commitments given	15	3,060,540	3,363,228
Loan commitments		1,922,716	2,017,730
Commitments on forward financial instruments		702,000	908,500
Guarantee commitments		5,824	6,998
Securities commitments		430,000	430,000

Company financial statements

LIABILITIES AND EQUITY (in thousands of euros)	Note	2020	2019
Central banks		-	-
Amounts due to credit institutions		383,395	388,259
Transactions with customers		333,805	399,704
Debt securities in issue		2,135,739	2,745,454
Other liabilities		46,714	76,836
Accrual accounting adjustments		36,858	44,994
Provisions		45,375	55,681
Subordinated debt		-	-
Fund for general banking risks		3,735	3,735
Equity excluding fund for general banking risks		456,413	470,583
Subscribed share capital		101,347	101,347
Share premium		207,110	207,110
Reserves		150,370	150,370
Revaluation reserve		-	-
Restricted provisions	12	4	5
Retained earnings		11,749	166,792
Net profit/(loss) for the period		-14,169	-155,042
TOTAL LIABILITIES AND EQUITY		3,442,032	4,185,246
OFF BALANCE SHEET COMMITMENTS		2020	2019
Commitments received		3,326,363	3,927,922
Loan commitments		1,632,222	1,853,445
Commitments on forward financial instruments		1,694,000	2,053,200
Guarantee commitments		141	21,276
Securities commitments		-	-

Company financial statements

Income statement for the year ended 31st December 2020

(in thousands of euros)	Note	2020	2019
Interest and equivalent income	17	106,627	115,297
Interest and equivalent expenses	17	-18,592	-23,937
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		81,662	69,315
Fee and commission income	18	62,917	78,488
Fee and commission expenses	18	-9,077	-11,684
Gains and losses on trading portfolios	22	1,843	3,214
Gains and losses on investment portfolios and equivalents	22	-598	-795
Other income from banking operations	19	66,187	75,668
Other expenses on banking operations	19	-13,017	-9,854
NET BANKING INCOME		277,952	295,712
General operating expenses	20	-144,270	-180,545
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		-10,421	-11,970
GROSS OPERATING PROFIT/(LOSS)		123,260	103,198
Cost of risk	21	-92,498	-236,476
OPERATING PROFIT/(LOSS)		30,762	-133,278
Gains and losses on non-current assets	23	-13,425	251
CURRENT PRE-TAX PROFIT/(LOSS)		17,337	-133,027
Exceptional items		-26,008	-14,951
Income taxes		-5,499	-7,086
Net change in fund for general banking risks and regulated provisions		1	21
NET PROFIT/(LOSS)		-14,169	-155,042

Five-year financial summary

Financial position at end of period (in euros)	2016	2017	2018	2019	2020
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	480,416,446	377,568,628	351,753,542	336,240,683	287,713,547
Profit/(loss) before tax, profit-sharing, depreciation, amortisation, provisions and impairment	57,023,169	30,747,063	4,596,791	-38,019,488	-27,813,180
Income taxes	12,729,818	-1,583,867	-492,432	-1,510,443	-5,499,492
Profit-sharing	1,495,704	218,398	-81,100	41,394	357,705
Profit/(loss) after tax, profit-sharing, depreciation, amortisation, provisions and impairment	28,321,680	45,017,053	1,754,259	-155,042,220	-14,168,714
Total profits paid out as dividend	28,374,849	-	20,040,978	-	-
PER SHARE DATA					
Profit/(loss) after tax and profit-sharing but before depreciation, amortisation, provisions and impairment	6.47	4.86	0.78	-	-
Profit/(loss) after tax, profit-sharing, depreciation, amortisation, provisions and impairment	4.28	6.81	0.27	-	-
Dividend payout per share	4.29	-	3.03	-	-
EMPLOYEE DATA					
Average number of employees during the period	1,764	1,625	1,535	1,386	1,128
Total payroll	54,299,233	53,11,495	49,986,846	46,124,058	35,905,058
Total employee benefits	27,023,589	24,593,019	24,263,123	20,768,930	16,418,714

Company financial statements

Notes

Note 1

ACCOUNTING POLICIES (company financial statements)

A / Significant events of the year ended 31st December 2020

1/ COVID-19:

During 2020, the Covid-19 pandemic hit the world economy hard, and led to a serious and unprecedented crisis. Despite this, Carrefour Banque was able to operate as normal. Consequently, there is nothing to call into question the company's ability to continue as a going concern.

2/ Strategic workforce planning:

Carrefour Banque implemented a strategic workforce planning exercise in 2019. During 2020, the company recognised charges of €7,632 thousand, reversed the provision of €4,375 thousand booked in the previous year, and booked a further provision of €4,960 thousand as of 31st December 2020.

3/ Discontinuation of C-Zam operations:

C-Zam operations were discontinued effective 30th June 2020; this had an impact of €12.6 million on the net loss for the year, due to the write-down of non-current assets.

4/ Relocation of the head office:

Following the non-renewal of the lease, Carrefour Banque relocated its head office effective 1st July 2020 from 1 Place Copernic, 91000 Evry to 9 Avenue du Lac, 91000 Evry ; this had an impact of €1,175 thousand on the net loss for the year, due to the write-down of non-current assets.

5/ Transfer of 138 in-store finance booths to Carrefour Hyper SAS:

Effective 1st September 2020, 138 in-store finance booths were transferred to Carrefour hypermarkets, along with the related staff. A charge of €2,042 thousand, mainly on the write-down of non-current assets, was recognised by Carrefour Banque during the year.

B / Presentation of the financial statements

The 2020 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 26th 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 1st 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 €3,290 thousand in 2020, versus €957 thousand in 2019.

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 1st 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 2020 net banking income by €64 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 €598 thousand as of 31st December 2020 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.

As of 31st December 2020 Carrefour Banque, via its subsidiary La Financière Pass (LFP), unwound its investment in SCI Kecho2.

Carrefour Banque recognised a net charge of €2,491 thousand in its financial statements; this comprised a write-down of €8,389 thousand against the investment in LFP, partly offset by a reversal of impairment allowances totalling €5,897 thousand against the same investment.

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 31st December are presented in notes 15 and 16. The nominal amount of commitments is reported off balance sheet.

Company financial statements

In accordance with the amended regulation 2004-16 of the *Comité de la Réglementation 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 / Refinancing of operations

- Carrefour Banque exercised the first of its one-year extension options on the syndication facility, which is now due to expire in July 2025 and is for an initial amount of €550 million (versus €600 million previously).
- Drawdowns were made on the NEU CP and NEU MTN issuance programmes as required to meet refinancing needs. Interest rate terms gradually realigned on spread levels, and remain favourable given the negative interest rate environment.
- Key liquidity indicators were unaffected by market turbulence (especially as a result of the first lockdown); the refinancing buffer remained above the twelve-month target level, and no liquidity backup was required.

J / Retirement benefit commitments

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.

K / 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.

L / 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 31%. 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.

M / Information about the Covid-19 pandemic

The coronavirus pandemic, which began in China and gradually spread to other regions of the world in the first quarter of 2020, had a major impact on public health in all countries affected.

This public health crisis led to very substantial economic consequences including a serious hit to both supply and demand for goods and services, not only in the worst-affected countries but also globally. It also had a knock-on effect on financial markets, international trade, commodity prices and corporate profits.

Description of specific risks arising from the ongoing pandemic and the actual or expected impacts on the various components of the Carrefour Banque group's operations.

As soon as the pandemic reached France, the Group took steps to identify specific risks associated with the spread of coronavirus, and to identify the consequences as it developed. Those risks are summarised below:

- Business risk: The Carrefour Banque business model relies on providing finance to retail customers. The pandemic could undermine our model, especially given the sharp contraction in economic activity in France. In addition, the competitive landscape could be adversely affected by the consequences of the pandemic, with players adopting aggressive tactics to acquire or retain customers in an unfavourable economic climate.
- Liquidity risk:
 - A reduced appetite for borrowing among customers is leading to lower demand for refinancing. Amidst uncertainties about the economy and fears of unemployment, customer credit activities remain flat. Customers are cautious in their appetite for revolving credit.
 - Operations in the various segments of the financial markets were suspended for a while in March; this made it impossible to raise any capital, even over the very short term. It took around two months for the financial markets to return to normal. Interest rates came under significant pressure (3-month Euribor +50 bp, spread +45 bp). Rates returned to pre-crisis levels in May. The second lockdown had no impact on the financial markets. Liquidity indicators - in particular the refinancing buffer, and the level of backup - were not adversely affected.
 - Liquidity remained in plentiful supply, as a direct consequence of the accommodative monetary policy adopted by the ECB from the onset of the public health crisis.

- Operational risk:
 - Virtually all Group employees were required to stay at home under government measures to contain the spread of the virus, but this posed no difficulties in terms of business continuity. The increased risk of errors or delays in processing were limited, thanks to a strong focus on maintaining oversight and control over the most critical operations.
 - Particular attention was paid to maintaining oversight systems, and to stepping up the monitoring of external access to information systems given the significant expansion of teleworking.
 - Arrangements put in place at the height of the crisis were maintained so that they could be rapidly reactivated in the event of a partial or full return to lockdown in areas like teleworking (authentication controls for employees) and building up stocks of personal protective equipment.
 - There was no particular disruption to outsourced services, all of which continued to operate despite the exceptional circumstances. Supplier payments continued, and there was no service interruption for customers in terms of electronic signatures. No dispute arose between Carrefour Banque and its business partners.
- Credit risk: The socio-economic fallout from the pandemic could lead to a high number of defaults in our customer base. That could have a significant adverse impact on the Group's cost of risk, profits, and financial position. From the onset of the crisis, Carrefour Banque has implemented government recommendations in order to meet high levels of requests from customers. Requests for deferred payment terms were accepted, and no deterioration has been noted in customer compliance with such terms.

Specific measures taken to manage specific risks arising from the ongoing pandemic.

Carrefour Banque took a number of specific measures as early as possible in response to the public health situation in France (our main market) and to its economic and social impacts.

- We activated our emergency and business continuity plan, identifying essential services and implementing business continuity measures during the nationwide lockdown.
- We also tightened our systems for monitoring the main risks identified:
 - Credit risk: closer monitoring of customers, and adapting our loan approval policy for our most vulnerable customers.
 - Liquidity risk: heightened vigilance in relation to requests for repayment of short-term refinancing vehicles.

N / Events after the reporting period

There is no event after the reporting period to report.

O / 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 31st December 2020 of **€14,168,714.14** is offset against retained earnings, which as a result shows a negative amount of €2,419,250.52.

Notes to the balance sheet

Note 2

AMOUNTS DUE FROM AND TO CREDIT INSTITUTIONS

(in thousands of euros)	31/12/2020	31/12/2019
Assets		
Current accounts, overnight loans and advances	162,142	213,816
Term loans and advances	1,103,400	1,327,190
TOTAL	1,265,542	1,541,006
of which accrued interest receivable	400	690
of which transactions with related undertakings	-	-
Liabilities		
Current accounts, overnight borrowings	23,395	28,259
Term deposits and borrowings	360,000	360,000
TOTAL	383,395	388,259
of which accrued interest payable	-	-
of which transactions with related undertakings	-	-

Note 3

CUSTOMER LOANS

(in thousands of euros)	31/12/2020	31/12/2019
Current accounts in debit	356,263	387,920
Other short-term loans	248,564	308,846
Medium-term loans	333,101	398,760
Long-term loans	568,152	831,796
TOTAL GROSS CUSTOMER LOANS	1,506,079	1,927,322
Loan impairment allowances	-342,452	-360,712
TOTAL NET CUSTOMER LOANS	1,163,627	1,566,610

CUSTOMER LOANS NET OF IMPAIRMENT ALLOWANCES

(in thousands of euros)	France	Italy	Principal	Accrued interest	31/12/2020	31/12/2019
Non-doubtful loans	969,350	71,487	1,040,836	3,854	1,044,691	1,408,114
of which transactions with related undertakings	120,000	-	120,000	69	120,069	139,097
of which restructured loans	206,842		206,842		206,842	229,742
Non-compromised doubtful loans						
Gross amount	277,117		277,117		277,117	345,581
Impairment allowances	-207,422		-207,422		-207,422	-235,265
Coverage ratio			75%		75%	68%
Compromised doubtful loans						
Gross amount	126,973	57,299	184,271		184,271	173,628
Impairment allowances	-90,697	-44,332	-135,029		-135,029	-125,447
Coverage ratio			73%		73%	72%
CARRYING AMOUNT IN BALANCE SHEET	1,075,320	84,453	1,159,773	3,854	1,163,627	1,566,610

Note 4

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

(in thousands of euros)						31/12/2020
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	162,542	1,103,000	-	-	-	1,265,542
Liabilities	23,395	-	-	360,000	-	383,395
Other advances to customers	3,786	200,709	257,101	535,523	32,629	1,029,748
Loans to financial sector customers	69	44,000	76,000	-	-	120,069
Current accounts in debit	13,811	-	-	-	-	13,811
TOTAL CUSTOMER LOANS (ASSETS)	17,665	244,709	333,101	535,523	32,629	1,163,627
TOTAL TRANSACTIONS WITH CUSTOMERS (LIABILITIES) (*)	333,805	-	-	-	-	333,805

(*) of which transactions with related undertakings.

Note 5

EQUITIES, BONDS AND OTHER SECURITIES

(in thousands of euros)	31/12/2020	31/12/2019
Interests in investment portfolio UCITS	125,000	125,000
Impairment of interests in investment portfolio UCITS	-2,492	-1,894
Equities and other investment portfolio securities (unlisted)	4	4
Equities and other investment portfolio securities (listed)	-	-
Other long-term investment securities	755	738
Bonds (*)	597,630	610,372
TOTAL	720,898	734,219

(*) 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: **€86,610 thousand**

- of which accrued interest receivable: **€15 thousand**

(*) Bonds issued by the Spanish securitisation fund SFC: **€430,000 thousand**

- of which accrued interest receivable: **€5 thousand**

Note 6

DEBT SECURITIES

(in thousands of euros)	31/12/2020	31/12/2019
Certificates of deposit	113,000	372,000
Other negotiable debt instruments	722,530	573,066
Bond issues	1,300,209	1,800,388
TOTAL	2,135,739	2,745,454
of which accrued interest payable	209	388
of which transactions with related undertakings	-	-

Company financial statements

Note 7

MATURITY SCHEDULE OF DEBT SECURITIES

					31/12/2020
(in thousands of euros)	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	More than 5 years»	TOTAL
Certificates of deposit	113,000	-	-	-	113,000
Other negotiable debt instruments	295,030	130,000	297,500	-	722,530
Bond issues	209	500,000	800,000	-	1,300,209
TOTAL	408,239	630,000	1,097,500	-	2,135,739

Note 8

INVESTMENTS IN SUBSIDIARIES AND PARTICIPATING INTERESTS

(in thousands of euros)	31/12/2020			31/12/2019		
	Gross value	Impairment allowances	Carrying amount	Gross value	Impairment allowances	Carrying amount
Unlisted subsidiaries and participating interests						
Fimaser S.A.	20,700	-	20,700	20,700	-	20,700
Servicios Financieros Carrefour, E.F.C. S.A.	1,663	-	1,663	1,663	-	1,663
La Financière PASS SAS	37	-	37	8,426	-5,897	2,529
GIE Chamnord	-	-	-	324	-	324
TOTAL	22,400	-	22,400	31,113	-5,897	25,215

Fimaser S.A.: Avenue des Olympiades 20, 1140 Brussels, Belgium; share capital €8,655,202.

Equity interest of Carrefour Banque: 99.98%.

Revenue for the 2020 financial year: **€20,197 thousand**, down 5.9% versus 2019.

Post-tax profit for the 2020 financial year: **€7,022 thousand**, down 6.6% versus 2019.

Reserves, retained earnings and share premium before appropriation of 2020 profits: **€11,607 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, E.F.C. S.A.: registered office Calle Juan Esplandiú no. 13, 28007 Madrid, Spain; share capital €18,567,438.

Equity interest of Carrefour Banque: 6.797%.

Revenue for the 2020 financial year: **€336,071 thousand**, down 10.0% versus 2019.

Post-tax profit for the 2020 financial year: **€53,707 thousand**, down 53.6% versus 2019.

Reserves, retained earnings and share premium before appropriation of 2020 profits: **€407,268 thousand**.

La Financière PASS SAS: registered office Bois Briard, 9-13 Avenue du lac, 91000 Évry-Courcouronnes, France; subsidiary with share capital of €37,000.

Equity interest of Carrefour Banque: 100.00%; net loss of €24 thousand for 2020.

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)	31/12/2019	Increases	Decreases	Other movements	31/12/2020
Gross value					
Intangible assets	165,550	7,717	14,753	-968	157,546
Property, plant and equipment	41,554	99	24,839	-204	16,610
TOTAL GROSS VALUE	201,405	7,815	39,592	-1,172	174,156
Amortisation of intangible assets	45,930	7,749	4,979	8	48,709
Depreciation of property, plant and equipment and intangible assets	30,743	2,663	20,163	1	13,244
TOTAL CARRYING AMOUNT	134,677	-2,597	14,450	-1,181	112,203

Note 10

OTHER ASSETS AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	31/12/2020	31/12/2019
Assets		
Sundry Group debtors	27,290	79,810
Other sundry debtors (*)	57,023	29,851
TOTAL OTHER ASSETS	84,313	109,661
Items in course of collection	44,506	51,086
Prepayments	10,747	11,057
Accrued income	17,288	15,834
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	72,541	77,978

(*) Includes an advance to SCI Ambaville of **€6,124 thousand** from 2013.

That advance represents a tax-efficient investment in Overseas France under the Girardin law.

(*) Includes impairment allowances of **€2,747 thousand** 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)	31/12/2020	31/12/2019
Liabilities		
Sundry Group creditors	21,232	30,670
Taxes payable	1,019	2,364
Employee-related liabilities	14,747	19,383
Trade payables	1,723	503
Other sundry creditors (*)	7,993	23,916
TOTAL OTHER LIABILITIES	46,714	76,836
Accrued expenses	22,695	29,317
Deferred income	14,162	15,677
Items in course of collection	-	-
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	36,858	44,994

(*) Includes a debt waiver in favour of the tax-efficient investment vehicle SCI Ambaville: **€4,015 thousand** from 2013.

Company financial statements

Note 12

IMPAIRMENT ALLOWANCES AND PROVISIONS

(in thousands of euros)	31/12/2019	Increases	Decreases	Other movements	31/12/2020
Impairment allowances against customer loans	360,712	6,475	24,735	-	342,452
TOTAL	360,712	6,475	24,735	-	342,452
Provisions				-	
Provisions for retirement benefits	26,529	1,526	6,742	-8	21,306
Other provisions ^(*)	29,151	24,575	29,660	2	24,068
TOTAL	55,681	26,102	36,402	-	45,374
Restricted provisions					
Accelerated tax depreciation	5	-	1	-	4
Special profit-sharing reserve	-	-	-	-	-
TOTAL	5	-	1	-	4

(*) The movement mainly comprises a reversal of a provision relating to the French data protection agency (CNIL) of **€2,200 thousand**, and a reversal of a Banca Carrefour runoff provision of **€2,161 thousand**.
Plus a reversal of **€678 thousand** against the provision for variable remuneration.

Note 13

FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2019	Increases	Decreases	31/12/2020
Fund for general banking risks	3,735	-	-	3,735

Note 14

EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2019	Increases	Decreases	31/12/2020
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	166,792	-	155,042	11,749
TOTAL RESERVES AND RETAINED EARNINGS	524,273	-	-	369,230
TOTAL EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS	625,620	-	-	470,577

Notes on off balance sheet items

Note 15

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

(in thousands of euros)	31/12/2020	31/12/2019
Commitments given	3,060,540	3,363,228
Confirmed credit facilities available to customers	1,922,716	2,017,730
Commitments on interest rate instruments (swaps)	702,000	908,500
Sureties, endorsements and other guarantees given to customers	5,824	6,998
of which financial guarantees	5,824	6,998
Securities commitments	430,000	430,000
Commitments received	3,326,363	3,927,922
Loan commitments received from credit institutions	1,232,222	1,353,445
Loan commitments received from financial sector customers	400,000	500,000
Commitments on forward financial instruments	1,694,000	2,053,200
Sureties, endorsements and other guarantees received from credit institutions	141	21,276

Note 16

FORWARD FINANCIAL INSTRUMENTS

(in thousands of euros)	31/12/2020				31/12/2019			
	Micro-hedging	Non-hedging	Total	Fair value	Micro-hedging	Non-hedging	Total	Fair value
Firm OTC instruments								
Interest rate swaps	591,000	1,774,000	2,365,000	-4,912	832,700	2,067,000	2,899,700	-5,748
Cross currency swaps								
Caps	-	62,000	62,000	-	-	62,000	62,000	-
TOTAL	591,000	1,836,000	2,427,000	-4,912	832,700	2,129,000	2,961,700	-5,748
Residual maturity	≤ 1 year	1 to 5 years	> 5 years	Total				
Nominal value of contracts	164,000	403,000	24,000	591,000				
Fair value	-167	-3,860	-885	-4,912				

Company financial statements

Notes to the income statement

Note 17

INTEREST AND EQUIVALENT INCOME INTEREST AND EQUIVALENT EXPENSE

(in thousands of euros)	31/12/2020		31/12/2019	
	Income	Expenses	Income	Expenses
On transactions with credit institutions	9,695	11,642	10,050	13,226
On transactions with customers (*)	92,832	1,252	98,254	1,386
On bonds and other fixed-income securities	4,100	5,697	6,994	9,325
TOTAL	106,627	18,592	115,297	23,937
(*) Related parties (income)	205	-	219	-

Note 18

FEES AND COMMISSION

(in thousands of euros)	31/12/2020		31/12/2019	
	Income	Expenses	Income	Expenses
Fees and commission on securities transactions	10,314	-	10,752	-
Fees and commission on payment media	52,603	9,077	67,736	11,684
TOTAL	62,917	9,077	78,488	11,684

Note 19

OTHER INCOME AND EXPENSES FROM BANKING OPERATIONS

(in thousands of euros)	31/12/2020		31/12/2019	
	Income	Expenses	Income	Expenses
Share of joint operations	6,110	9,277	6,909	9,596
Expenses recharged to Group companies	-	-	-	-
Other income and expenses from banking operations (*)	60,077	3,740	68,760	258
TOTAL	66,187	13,017	75,668	9,854
(*) Related parties (income)	57,433	-	63,201	-

Note 20

GENERAL OPERATING EXPENSES

(in thousands of euros)	31/12/2020	31/12/2019
Wages and salaries	35,541	47,170
Social security charges and payroll taxes	15,116	29,308
Profit-sharing	1,040	4,221
Personnel costs	51,696	80,699
of which retirement benefit expenses	4,113	6,597
Other administrative expenses	92,574	99,846
TOTAL GENERAL OPERATING EXPENSES	144,270	180,545

Note 21

COST OF RISK

(in thousands of euros)	31/12/2020	31/12/2019
Net change in impairment allowances	3,279	-82,736
Charges on customer loans mainly covered by impairment allowances	-95,777	-153,740
TOTAL	-92,498	-236,476

Note 22

GAINS AND LOSSES ON PORTFOLIOS

(in thousands of euros)	31/12/2020		31/12/2019	
	Gains	Losses	Gains	Losses
Gains and losses on trading portfolios				
On financial instruments	1,843	-	3,214	-
Foreign exchange gains and losses	-	-	-	-
TOTAL	1,843	-	3,214	-
Gains and losses on investment portfolios and equivalents				
Impairment of investment securities	-	598	-	795
Gains and losses on disposals of investment securities	-	-	-	-
Expenses related to investment securities	-	-	-	-
TOTAL	-	598	-	795

Note 23

GAINS AND LOSSES ON NON-CURRENT ASSETS

(in thousands of euros)	31/12/2020		31/12/2019	
	Gains	Losses	Gains	Losses
Gains/losses on property, plant & equipment, intangible assets and non-current financial assets				
On non-current assets	9,737	23,163	-	245
TOTAL	9,737	23,163	-	245

Company financial statements

Other information

Note 24

DIRECTORS AND KEY EXECUTIVES

(in thousands of euros)	31/12/2020	31/12/2019
Remuneration awarded to directors and key executives	1,798	1,614

Note 25

HEADCOUNT

(number of employees)	31/12/2020	31/12/2019
Average headcount for the year, comprising:	1,128	1,386
Non-managerial grades	799	1,026
Managerial grades	329	360

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 31st December 2020 of **€14,168,714.14** is offset against retained earnings, which as a result shows a negative amount of €2,419,250.52.

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
2017	-	-	-
2018	3.03	3.03	-
2019	-	-	-

Statutory Auditors' report on the company financial statements

Year ended 31st December 2020.

To the Annual General Meeting of the shareholders of Carrefour Banque S.A.

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 S.A. for the year ended 31st December 2020.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31st December 2020, 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 specified in the Commercial Code and the code of ethics of the auditing profession for the period from 1st January 2020 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.

Services other than audit of the financial statements that we provided to your company (and to entities controlled by it) during the year ended 31st December 2020 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 S.A. Euro Medium Term Notes (EMTN) programme.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

The global crisis caused by the Covid-19 pandemic created challenging conditions for the preparation and audit of this year's financial statements. The crisis – and the unprecedented public health measures taken in response – had multiple consequences for businesses, especially for their operations and finances, and also created increased uncertainty about their future prospects. Some of those measures, such as travel restrictions and teleworking, also had an impact on internal organisation within companies and on the arrangements for conducting audits.

It is in this complex and evolving context that, 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 assessments should be seen in the context of the audit of the financial statements taken as a whole, 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
<p>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.</p> <p>The socio-economic consequences of the Covid-19 pandemic could lead to a large number of defaults by customers of Carrefour Banque. That could have a material adverse impact on Carrefour Banque's cost of risk, results, and financial position.</p> <p>From the onset of the crisis Carrefour Banque has implemented government recommendations in order to meet high levels of requests from customers. Requests for deferred payment terms were accepted, and no deterioration has been noted in customer compliance with such terms.</p> <p>As mentioned in note 1.D. to the financial statements, impairment allowances recognised equal the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows.</p> <p>The calculation of impairment allowances is based on:</p> <ul style="list-style-type: none"> - 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; - statistical modelling of recoveries based on observations of historical data and probabilities of default that reflect the level of risk for each loan portfolio (such as the number of months in arrears or specific factors). <p>As of 31st December 2020, total impairment allowances against customer loans and advances were €342 million on a gross value of €1,506 million, as disclosed in note 3 ("Customer loans") to the financial statements.</p> <p>We regarded the measurement of impairment allowances against customer loans as a key audit matter, given the materiality of the accounting estimates involved and the significant extent to which the bank exercises judgment in estimating future recoveries, in light of the public health crisis caused by the Covid-19 pandemic.</p>	<p>As part of our audit procedures, we performed a review of:</p> <ul style="list-style-type: none"> - the segmentation of loans into portfolios with similar characteristics, and the mapping of provisioning models for each product category; - the calculation of the related statistically-based impairment allowances, by 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, and by analysing the compliance of the calculation methods and risk parameter calibrations with the principles for statistical expected loss estimates contained in ANC Regulation 2014-07. <p>We also assessed and tested control systems for:</p> <ul style="list-style-type: none"> - monitoring credit risk and counterparty risk; - identifying and monitoring counterparties with payment incidents, and downgrading exposures to "doubtful" or "compromised doubtful"; - assessing risks of non-recovery. <p>We also circularised external providers of recovery services, to obtain assurance as to the completeness and accuracy of the amounts recognised in the bank's accounts for exposures subject to recovery proceedings and write-offs.</p> <p>Our IT experts tested the design and use of the IT controls in place within Carrefour Banque, including a review of general IT controls, interfaces, and embedded controls specific to cash flows used to calculate statistical provisions.</p> <p>Finally, we assessed the appropriateness of the disclosures provided in the note on significant events and in note 1.D. to the financial statements, in light of the evolving context of the pandemic.</p>

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 or in other documents addressed to the shareholders about the company's financial position and 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. 441-6 of the 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 Articles L. 225-37-4 and L. 22-10-10 of the Commercial Code is contained in the Board of Directors' report on corporate governance.

Appointment as statutory auditors

We were appointed as statutory auditors of Carrefour Banque S.A. by the Annual General Meetings of 25 June 1980 (KPMG) and 25 May 2004 (Deloitte & Associés).

As of 31st December 2020, KPMG was in its forty-first uninterrupted year as statutory auditor, and Deloitte & Associés was in its seventeenth.

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 10th February 2021.

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.

The Statutory Auditors

Paris-la Défense, 9 April 2021

Deloitte & Associés
Anne-Elisabeth PANNIER
Partner

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A department of KPMG S.A.
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Consolidated financial statements **2020**

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**Consolidated financial
statements for the year
ended 31st December 2020**

prepared in accordance
with IFRS as endorsed
by the European Union

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**Notes to the
financial statements**

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**Statutory
auditors'
report**

Statement of financial position at 31st December 2019 and 31st December 2020

ASSETS (in thousands of euros)	Note	IFRS 31/12/2020	IFRS 31/12/2019
Cash, central banks and postal cheque accounts		1,909	473
Financial assets at fair value through profit or loss	4.1	4,072	4,667
Hedging derivatives	4.2	68	64
Financial assets at fair value through other comprehensive income	4.3	163,408	156,767
Loans and advances to credit institutions at amortised cost	4.5	1,275,046	1,980,649
Loans and advances to customers at amortised cost	4.6	1,678,575	2,096,816
Securities at amortised cost		430,015	1
Current and deferred tax assets	4.8	54,881	87,626
Accrual accounting adjustments and other assets	4.9	130,101	131,219
Equity investments, interests in related undertakings and other long-term investments		-	-
Property, plant and equipment and intangible assets	4.10	110,456	129,265
of which: discontinued operations (C-Zam), fully written down		-	-
TOTAL ASSETS		3,848,530	4,587,547

LIABILITIES & EQUITY (in thousands of euros)	Note	IFRS 31/12/2020	IFRS 31/12/2019
Cash, central banks and postal cheque accounts		-	-
Financial liabilities at fair value through profit or loss	4.1	4,269	4,663
Hedging derivatives	4.2	10,699	10,577
Amounts due to credit institutions	4.5	383,401	388,266
Amounts due to customers	4.6	347,608	415,881
of which: C-Zam deposit accounts		2,244	-
Debt securities in issue	4.7	2,502,267	3,109,944
Current and deferred tax liabilities	4.8	9,155	9,895
Accrual accounting adjustments and other liabilities	4.9	91,427	102,878
Provisions	4.12	36,291	44,450
Shareholders' equity attributable to the Group:		463,413	500,992
Share capital and associated reserves		308,457	308,457
Consolidated reserves		202,446	258,620
Net profit/(loss) for the period		-47,490	-66,086
TOTAL LIABILITIES AND EQUITY		3,848,530	4,587,547

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Consolidated income statement for the years ended 31st December 2019 and 31st December 2020

INCOME STATEMENT (in thousands of euros)	Note	2020	2019
Interest and equivalent income	5.1	179,651	207,508
Interest and equivalent expenses	5.1	-20,835	-22,321
Income from variable-income securities		6,061	2,873
Fee and commission income	5.2	67,138	83,917
Fee and commission expenses	5.2	-11,198	-14,180
Net gains/(losses) on financial instruments at fair value through profit or loss	5.3	40	-1,495
Other income from banking operations	5.5	71,889	80,365
Other expenses on banking operations	5.5	-30,726	-33,653
NET BANKING INCOME		262,019	303,014
General operating expenses		-166,735	-181,561
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	4.10	-15,306	-14,954
GROSS OPERATING PROFIT/(LOSS)		79,978	106,499
Cost of risk	5.6	-78,062	-171,581
OPERATING PROFIT/(LOSS)		1,916	-65,081
Gains and losses on non-current assets		-2,119	-12
Gain from bargain purchase/(goodwill impairment)		-	-
CURRENT PRE-TAX PROFIT/(LOSS)		-202	-65,094
Income taxes	5.7	-34,669	-992
Non-controlling interests		-	-
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		-34,871	-66,086
Discontinued operations (C-Zam)		-12,619	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		-47,490	-66,086

Consolidated statement of comprehensive income for the years ended 31st December 2019 and 31st December 2020

(in thousands of euros)	2020	2019
Net profit/(loss) attributable to the Group		
Non-controlling interests		
Actuarial gains/(losses) on retirement benefit obligations		
Reclassifiable changes in fair value of cash flow hedging derivatives		
Non-reclassifiable changes in fair value of cash flow hedging derivatives		
Other comprehensive income		
TOTAL COMPREHENSIVE INCOME	-37,580	-70,837
Attributable to owners of the parent company	-37,580	-70,837
Attributable to non-controlling interests	-	-

Statement of changes in equity between 1st January 2020 and 31st December 2020

(in thousands of euros)	Share capital and share premium		Consolidated reserves	Gains and losses recognised directly in equity				Net profit/(loss) attributable to the group	Total equity attributable to the group	Equity attributable to non-controlling interests	Total consolidated equity
	Share capital	Share premium		Change in fair value of financial instruments							
				Financial assets: reclassifiable	Financial assets: non-reclassifiable	Hedging derivatives	Actuarial gains/(losses)				
SHAREHOLDERS' 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											
Capital increases											
Reclassifications											
Distributions			-20,041						-20,041		-20,041
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	101,347	-2,679	591,870	-	591,870	-11,156	-66,086	500,992	-	500,992
Appropriation of 2019 profits			-66,086					66,086			
SHAREHOLDERS' EQUITY AT 01/01/2020 AFTER APPROPRIATION	101,347	207,110	185,354	-1,955	24,111	-3,820	-11,156	-	500,992	-	500,992
Transactions with shareholders											
Capital increases											
Reclassifications											
Impact of acquisitions and disposals on non-controlling interests									-		-
Sub-total			-						-		-
Gains and losses recognised directly in equity											
Other movements				-38	8,954	43	951		9,910		9,910
Sub-total				-38	8,954	43	951		9,910		9,910
Other movements											
Net profit/(loss) for the period								-47,490	-47,490		-47,490
Other movements									-		-
Sub-total			-	-	-	-	-	-47,490	-47,490		-47,490
IFRS EQUITY AT 31/12/2020	101,347	207,110	185,354	-1,993	33,065	-3,777	-10,205	-47,490	463,412	-	463,412

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Cash flow statement for the years ended 31st December 2019 and 31st December 2020

(in thousands of euros)	2019	2018
Pre-tax profit/(loss)	-202	-65,094
Non-monetary items included in pre-tax profit/(loss) and other adjustments not included in profit or loss	-282,945	-161,681
Depreciation and amortisation of property, plant and equipment and intangible assets, net	10,137	14,724
Impairment of goodwill and other non-current assets	-5,897	-
Net change in provisions	-119,211	11,063
Share of profits and losses of associates and joint ventures	-	-
Net gains and losses on investing activities	13,354	-2,631
Net gains and losses on financing activities	-	-
Other movements	-181,328	-184,837
Net cash inflows/(outflows) arising from assets and liabilities related to operating activities	237,869	220,779
Net cash inflows/(outflows) arising from transactions with credit institutions	229,666	-45,243
Net cash inflows/(outflows) arising from transactions with customers	623,971	497,501
Net cash inflows/(outflows) arising from transactions affecting other financial assets and liabilities	-612,619	-229,251
Income taxes paid	-3,149	-2,228
Net cash generated by/(used in) operating activities	-45,278	-5,996
Net cash inflows/(outflows) arising from financial assets and equity investments	6,368	2,835
Net cash inflows/(outflows) arising from property, plant and equipment and intangible assets	-6,583	-15,097
Net cash generated by/(used in) investing activities	-215	-12,262
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	-45,494	-38,299
Cash and cash equivalents at start 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	-	-
Cash and cash equivalents at end of period	150,163	195,657
Cash, central banks and postal cheque accounts (assets and liabilities)	1,909	473
Loans to credit institutions repayable on demand	148,254	195,184
Borrowings from credit institutions repayable on demand	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-45,494	-38,299

Significant events of 2020

• COVID-19 – Cost of risk

Following an exercise to model the impact of Covid-19 within the Carrefour Banque group, an additional charge of €17.2 million was taken to cost of risk in 2020 (see Note 1: Credit risk).

• Impairment of deferred tax assets

An impairment allowance of €25.6 million was taken as of 31st December 2020 against deferred tax assets arising on temporary differences at Carrefour Banque. In addition, an impairment allowance of €4.5 million was taken in the first half of 2020 against the residual €4.5 million of deferred tax assets in the books of Carrefour Banca.

• Discontinuation of C-Zam operations

Operations relating to the C-Zam product were discontinued as of 30th June 2020, with a negative impact of €12.6 million on net profit due to the write-down of the non-current assets allocated to the business.

Because this business has been discontinued, it has been accounted for in accordance with IFRS 5.

• Transfer of in-store finance booths

Effective 1st September 2020, 138 in-store finance booths and the related employees were transferred to Carrefour hypermarkets. The accounting impacts of those transfers are described in Notes 4.10, 4.11 and 7.1.

• Treatment of over-indebted customers

Carrefour Banque has written off amounts due from customers that are scheduled for debt relief on completion of over-indebtedness arrangements. Such write-offs occur when creditors are granted partial relief of their debts following a ruling by an over-indebtedness commission, and were already 100% covered by impairment allowances. As a result, amounts due from customers were reduced by €91.4 million, offset by utilisation of impairment allowances of the same amount (see Note 3.4.1.1).

• 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 26th April 2020, was renewed effective 26th June 2020 for an amount of €430 million.

Notes to the financial statements

Note 1

BUSINESS TRENDS AFTER THE REPORTING PERIOD IN FRANCE

The coronavirus pandemic, which began in China and gradually spread to other regions of the world in the first quarter of 2020, had a major impact on public health in all countries affected.

This public health crisis led to very substantial economic consequences including a serious hit to both supply and demand for goods and services, not only in the worst-affected countries but also globally. It also had a knock-on effect on financial markets, international trade, commodity prices and corporate profits.

Description of specific risks arising from the ongoing pandemic and the actual or expected impacts on the various components of the Carrefour Banque group's operations.

As soon as the pandemic reached France, the Group took steps to identify specific risks associated with the spread of coronavirus, and to identify the consequences as it developed. Those risks are summarised below:

- **Business risk:** The Carrefour Banque business model relies on providing finance to retail customers. The pandemic could undermine our model, especially given the sharp contraction in economic activity in France. In addition, the competitive landscape could be adversely affected by the consequences of the pandemic, with players adopting aggressive tactics to acquire or retain customers in an unfavourable economic climate.
- **Liquidity risk:**
 - A reduced appetite for borrowing among customers is leading to lower demand for refinancing. Amidst uncertainties about the economy and fears of unemployment, customer credit activities remains flat. Customers are cautious in their appetite for revolving credit.
 - In France, operations in the various segments of the financial markets were suspended for a while in March; this made it impossible to raise any capital, even over the very short term. It took around two months for the financial markets to return to normal. Interest rates came under significant pressure (3-month Euribor +50 bp, spread +45 bp). Rates returned to pre-crisis levels in May. Liquidity indicators – in particular the refinancing buffer and the level of backup – were not adversely affected.
 - Liquidity remained in plentiful supply, as a direct consequence of the accommodative monetary policy adopted by the ECB from the onset of the public health crisis.
- **Operational risk:**
 - Virtually all Group employees were required to stay at home under government measures to contain the spread of the virus, but this posed no difficulties in terms of business continuity. The increased risk of errors or delays in processing were limited, thanks to a strong focus on maintaining oversight and control over the most critical operations.

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- Particular attention was paid to maintaining oversight systems, and to stepping up the monitoring of external access to information systems given the significant expansion of teleworking when the first lockdown was imposed.
 - Arrangements put in place at the height of the crisis were maintained so that they could be rapidly reactivated in the event of a partial or full return to lockdown in areas like teleworking (authentication controls for employees) and equipment (such as building up stocks of personal protective equipment like face masks).
 - There was no particular disruption to outsourced services, all of which continued to operate despite the exceptional circumstances. Supplier payments continued, and there was no service interruption for customers in terms of electronic signatures. To date, no dispute has arisen between Carrefour Banque and its business partners.
- **Credit risk:** The socio-economic fallout from the pandemic could lead to a high number of defaults in our customer base, which could adversely impact our expected credit losses and cost of risk. Carrefour Banque has used its forward-looking systems to estimate the future impacts of the Covid-19 crisis. This included assessing the specific impacts of the crisis, and adapting our expected credit loss modelling to take account of the changed circumstances:
- The first lockdown meant that Banque de France counters were closed from mid-March to mid-June. This meant that over-indebted customers were unable to file their requests for over-indebtedness arrangements. On this point, Banque de France statistics show that the number of such requests was down versus 2019 by 28% in October 2020 and by 24% in December 2020, as government furlough measures made a positive contribution to household finances. However, the level of requests filed started to rise again between October and December 2020.
 - According to the statistics, the impacts of that growth seem to have been pushed back to the first half of 2021, with a deterioration in customer solvency triggering a rise in personal debt relief procedures. In addition, economists reckon that around 30% of businesses will close or cut jobs due to the crisis, putting more people onto the unemployment register and, as a knock-on effect, generating more requests for over-indebtedness programs.
 - In estimating credit losses for the purposes of the 2020 financial statements, Carrefour Banque anticipated a catch-up and acceleration in the number of requests filed with the over-indebtedness commission following the closure of Banque de France counters.
 - At the same time, from the onset of the crisis Carrefour Banque has implemented government recommendations in order to meet high levels of requests from customers for deferred payment terms. To date, no material deterioration has been noted in customer compliance with deferred payment terms.
 - Overall, Carrefour Banque has estimated the forward-looking impact at €17.2 million

Specific measures taken to manage specific risks arising from the ongoing pandemic

Carrefour Banque took a number of specific measures as early as possible in response to the public health situation in France (our main market) and to its economic and social impacts.

- We activated our emergency and business continuity plan, identifying essential services and implementing business continuity measures during the nationwide lockdown.
- We also tightened our systems for monitoring the main risks identified:
 - Credit risk: closer monitoring of customers, and adapting our loan approval policy for our most vulnerable customers.
 - Liquidity risk: heightened vigilance in relation to requests for repayment of short-term refinancing vehicles.

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 9 avenue du Lac, 91051 Evry Cedex, France. The consolidated financial statements for the year ended 31st December 2020 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 19th July 2002, the consolidated financial statements of the Company for the year ended 31st December 2020 have been prepared in accordance with international financial reporting standards (IFRS) as endorsed by the European Union as of 1st January 2020 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).

Following the discontinuation of C-Zam, this business has been accounted for in accordance with IFRS 5 in the 2020 financial statements.

The full set of 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://www.efrag.org/Endorsement>

B / IMPACT OF CHANGES IN ACCOUNTING POLICY

The Group has not elected any changes in accounting policy as of 31st December 2020.

[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:

- classification of financial instruments based on the business model and the contractual characteristics of the instrument (part 1);
- a financial asset impairment model based on expected credit losses, replacing the previous incurred loss model (part 2); and
- more flexible hedge accounting principles than under IAS 39, excluding macro-hedging (part 3).

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

IFRS 9 uses a 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.

That model comprises three categories:

- Financial assets at amortised cost.
- Financial assets at fair value through other comprehensive income. The financial asset classification and measurement principles have 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.
- Financial assets at fair value through profit or loss.

Loans and advances to customers are measured at amortised cost insofar as they meet the 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

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 12-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 allocated to one of three stages, based on an analysis of significant increases in credit risk:

- Stage 1: exposures to debtors whose credit risk has not increased significantly since initial recognition.
- Stage 2: exposures to debtors 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.
- Stage 3: exposures to debtors with a known risk of default.

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 12 months;
- in the event of an increased credit risk: expected credit losses over the lifetime of the asset.

• 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 Stage 1 to Stage 2 are:

- payment arrears: payments more than 30 days past due (rebuttable presumption according to IFRS 9, which the Group has chosen not to rebut);
- renegotiation: renegotiated contracts with payments less than 30 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 90 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 30 days past due;
- legal recovery: contracts subject to debt recovery proceedings at the end of the reporting period;

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- 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 as Stage 3.

New definition of default (Guidelines on Article 178 of Regulation (EU) 575/2013)

Carrefour Banque has implemented the new definition of default, under which Stage 3 exposures remain in that category for an additional three-month probationary period in order to assess the robustness of customer payments, before the exposure returns to Stage 2 for a twelve-month period. If there are no payment incidents, the exposure can then be returned to Stage 1.

This new measure resulted in the recognition of an additional provision of €3.5 million as of 31st December 2020.

• 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 12-month timeframe for Stage 1 exposures, and over the lifetime of the loan for Stage 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;
- Banque de France file queries, 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.

As a reminder:

Changes to estimates used to calculate Carrefour Banque's cost of risk during 2019 led to an overall increase in provisions as of 31st December 2019 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 20 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.

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.

3.2 / ACCOUNTING ESTIMATES

3.2.1 / Impairment of amounts due from customers

For impairment of amounts due from customers, refer to the section of Note 3.1. relating to IFRS 9 part 2 ("Impairment and provisioning of financial assets").

3.2.2 / Impairment of deferred tax assets

The recoverability of deferred tax assets is assessed separately for each tax entity, taking account of (i) estimates of future taxable profits and losses derived from the strategic plan 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.

3.3 / CONSOLIDATION

3.3.1 / 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 31st December 2020, the scope of consolidation of the Carrefour Banque Group comprised:

- Carrefour Banque, registered office 9, avenue du Lac, Evry (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 30th 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 31st 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 31st December 2020, 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.

3.3.2 / 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.

3.3.3 / 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 1st 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;

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- 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.

3.4 / FINANCIAL ASSETS AND LIABILITIES

3.4.1 / 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.

3.4.1.1 / 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 the section of Note 3.1. on IFRS 9 part 2 ("Impairment and provisioning of financial assets").

In December 2020, Carrefour Banque adjusted the accounting rules applied to debt scheduled for relief on completion of over-indebtedness arrangements, to comply with accounting standards and with standard practice as adopted by French banks.

This accounting change has no impact on the net loss for 2020, or on the net presentation of exposures in the balance sheet.

Previously, the gross amount of debt scheduled for relief was recognised in the balance sheet, and offset by an impairment allowance covering 100% of that gross amount.

From 31st December 2020 onwards, the gross amount and the associated impairment allowance will both be reversed out. The carrying amount in the Carrefour Banque balance sheet will not change, but the gross amount will be lower.

3.4.1.2 / 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 main 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).

3.4.1.3 / 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.

3.4.2 / 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.

3.4.3 / 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.

3.4.3.1/ 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 main 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 31st December 2020 or 31st December 2019.

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.

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3.4.3.2/ 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.

3.4.4 / 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.

3.4.5 / 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.

3.4.6 / 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 the section of Note 3.1. relating to IFRS 9 part 2 ("Impairment and provisioning of financial assets").

3.4.7 / 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.

3.4.8 / 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 net amount or to realise the asset and settle the liability simultaneously.

3.5 / 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 main 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".

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IFRS 16, "LEASES"

IFRS 16 replaced IAS 17 "Leases", and the associated interpretations, with effect from 1st 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 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 12 months).

3.6 / 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 1st 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.

3.7 / 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.

3.8 / 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.

3.9 / 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 an income tax expense, because the Group takes the view that CVAE meets the definition specified in IAS 12.

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 IFRS IC Agenda Decision of September 2019.

3.10 / 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.

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Note 4

NOTES TO THE BALANCE SHEET AT 31ST DECEMBER 2019 AND 31ST DECEMBER 2020

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 million at 31st December 2020, consist of the positive fair value of swaps contracted by Carrefour Banque on behalf of Service Financieros Carrefour (SFC), a non-consolidated Spanish entity. Financial liabilities at fair value through profit or loss, amounting to €4.3 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.

(in thousands of euros)	31/12/2020			31/12/2019		
	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	4,072	-	4,072	4,667	-	4,667
Derivatives	4,072	-	4,072	4,667	-	4,667
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4,072	-	4,072	4,667	-	4,667
Financial liabilities at fair value through profit or loss						
Derivative financial instruments	4,269	-	4,269	4,663	-	4,663
Derivatives	4,269	-	4,269	4,663	-	4,663
Other derivative instruments	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	4,269	-	4,269	4,663	-	4,663

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.

(in thousands of euros)	31/12/2020		31/12/2019	
	Notional amount	Fair value	Notional amount	Fair value
CASH FLOW HEDGES	607,000	-5,506	832,700	-6,311
Interest rate derivatives - liabilities	592,000	-5,509	772,700	-6,311
Interest rate derivatives - assets	15,000	3	60,000	-
FAIR VALUE HEDGES	125,000	-4,983	125,000	-4,343
Interest rate derivatives - liabilities	125,000	-4,983	125,000	-4,343
DERIVATIVES USED FOR HEDGING PURPOSES	732,000	-10,489	832,700	-10,653
DERIVATIVES NOT USED FOR HEDGING PURPOSES	1,108,000	-199	2,129,000	-159
Derivatives - assets		4,030		5,665
Derivatives - liabilities		-4,229		-5,824
COUNTERPARTY RISK:	1,840,000	-149	2,961,700	-186
Credit value adjustment (CVA) derivatives - liabilities		-213		-249
Debit value adjustment (CVA) derivatives - assets		65		63

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

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

(in thousands of euros)	31/12/2020			31/12/2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Financial assets at fair value through OCI	163,408	-	163,408	156,767	-	156,767
Equity investments in non-consolidated entities	35,916	-	35,916	29,643	-	29,643
Other financial assets	127,492	-	127,492	127,124	-	127,124
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	163,408	-	163,408	156,767	-	156,767

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

4.4 / Fair value measurement of financial instruments

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

(in thousands of euros)	31/12/2020				31/12/2019			
	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	4,072	-	-	4,072	4,667	-	-	4,667
Hedging derivatives	-	68	-	68	-	126	-	126
Financial assets at fair value through OCI	163,408	-	-	163,408	156,767	-	-	156,767
Financial liabilities								
Held-for-trading financial instruments at fair value through profit or loss	4,269	-	-	4,269	4,663	-	-	4,663
Hedging derivatives	-	10,705	-	10,705	-	13,731	-	13,731

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

Loans and advances to credit institutions:

(in thousands of euros)	31/12/2020	31/12/2019
Demand accounts	171,646	223,442
Loans	1,093,400	1,327,190
Term deposits	10,000	-
TOTAL LOANS AND ADVANCES TO CREDIT INSTITUTIONS	1,275,046	1,550,633

Amounts due to credit institutions

(in thousands of euros)	31/12/2020	31/12/2019
Demand accounts	23,395	28,259
Borrowings	360,007	360,007
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	383,401	388,266

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

Loans and advances to customers

(in thousands of euros)	31/12/2020	31/12/2019
Current accounts in debit	391,662	373,823
Loans to customers	1,634,997	2,183,439
Finance leases	-	-
TOTAL LOANS AND ADVANCES TO CUSTOMERS BEFORE IMPAIRMENT	2,026,660	2,557,262
Impairment of loans and advances to customers	348,085	460,446
TOTAL LOANS AND ADVANCES TO CUSTOMERS NET OF IMPAIRMENT	1,678,575	2,096,816

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 1st JANUARY 2020	1,653,634	529,806	373,824	2,557,263
Transfers				
to Stage 1	-	5,554	26,838	32,392
to Stage 2	-16,841	-	11,769	-5,073
to Stage 3	-24,988	-16,107	-	-41,095
New financial assets (originated or acquired)	289,564	14,532	7,638	311,735
Financial assets derecognised in the period (other than write-offs)	-527,507	-83,228	-7,292	-618,027
Write-offs	-	-90,768	-99,467	-190,235
Changes due to contractual modifications not requiring derecognition	16,845	-2,081	-913	13,851
Other adjustments	-64,612	-48,805	79,265	-34,152
Mergers	-	-	-	-
GROSS EXPOSURES AT 31st DECEMBER 2020	1,326,094	308,904	391,662	2,026,660

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 2020 in connection with the revised definition of default. Write-offs of Stage 2 and Stage 3 exposures take account of the new treatment of over-indebtedness arrangements, which led to write-offs amounting to €71.3 million (Stage 2) and €20.1 million (Stage 3).

Movements in impairment allowances for 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 2020	-25,292	-188,654	-246,501	-4,768	-465,214
Transfers					
to Stage 1	-	-8,502	-10,694	-	-19,196
to Stage 2	5,631	-	-14,792	-	-9,162
to Stage 3	214	1,578	-	-	1,792
New financial assets (originated or acquired)	-2,932	-2,253	-3,834	-	-9,019
Financial assets derecognised in the period (other than write-offs)	10,849	35,347	58,901	-	105,097
Write-offs	-	3	1,593	-	1,595
Changes due to contractual modifications not requiring derecognition	-	-	-	-	-
Changes in risk models and parameters	-14,964	81,065	-10,167	-	55,934
Other adjustments	1,553	14,415	-30,648	365	-14,316
Mergers	-	-	-	-	-
IMPAIRMENT OF EXPOSURES AT 31st DECEMBER 2020	-24,941	-67,002	-256,142	-4,403	-352,487

"Changes in risk models and parameters" mainly comprises the reversal on utilisation of provisions for exposures scheduled for debt relief on completion of over-indebtedness arrangements, amounting to €71.3 million (Stage 2) and €20.1 million (Stage 3).

Amounts due to customers

(in thousands of euros)	31/12/2020	31/12/2019
Current accounts in credit	23,287	24,366
Term accounts and equivalents	-	-
Other accounts in credit	2,244	37,656
Regulated savings accounts	320,845	349,441
IFRS 16 liabilities	1,232	4,416
TOTAL AMOUNTS DUE TO CUSTOMERS	347,608	415,881

4.7 / Debt securities in issue

(in thousands of euros)	31/12/2020	31/12/2019
Certificates of deposit	113,000	372,000
Other negotiable debt instruments	721,814	572,359
Bonds	1,667,453	2,165,585
TOTAL DEBT SECURITIES IN ISSUE	2,502,267	3,109,944

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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)	31/12/2020	31/12/2019
Current taxes	5,790	7,274
Deferred taxes	49,090	80,352
CURRENT AND DEFERRED TAX ASSETS	54,881	87,626
Current taxes	5,841	7,357
Deferred taxes	3,314	2,537
CURRENT AND DEFERRED TAX LIABILITIES	9,155	9,895

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 IFRS IC Agenda Decision of September 2019.

Movement in deferred taxes during the period:

(in thousands of euros)	31/12/2020	31/12/2019
Net deferred tax asset at start of period	77,815	67,317
Deferred tax gain/(expense) (see Note 5.7)	-32,044	8,810
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)	-37	491
Exchange rate fluctuations and other movements	42	1,197
Net deferred tax asset at end of period	45,776	77,815

The reduction in deferred tax assets is due to the recognition of impairment allowances relating to tax losses available for carry-forward and temporary differences at the end of the reporting period.

Breakdown of net deferred tax asset by source

(in thousands of euros)	31/12/2020	31/12/2019
Unrealised finance lease reserve	-	-
Provisions for employee benefit obligations	5,851	7,175
Provisions for credit risk	59,030	29,474
Other items	-56,171	4,231
Tax losses available for carry-forward	37,066	36,935
Net deferred tax asset	45,776	77,815
Deferred tax assets	49,090	80,352
Deferred tax liabilities	3,314	2,537

4.9 / Accrual accounting adjustments, other assets and liabilities

(in thousands of euros)	31/12/2020	31/12/2019
Items in course of collection	59,943	69,756
Prepayments	7,279	5,539
Accrued income	10,464	9,792
Other accrual accounting adjustments	5,697	6,526
Sundry Group debtors	21,401	13,651
Other sundry debtors	25,316	25,956
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER ASSETS	130,101	131,219
Accrued expenses	261	206
Deferred income	17,538	20,193
Items in course of collection	10,093	2,692
Sundry Group creditors	19,945	30,907
Taxes payable	561	1,700
Employee-related liabilities	18,729	24,036
Trade payables	16,438	24,287
Other sundry creditors	7,863	-1,142
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER LIABILITIES	91,427	102,878

4.10 / Intangible assets and property, plant and equipment

(in thousands of euros)	31/12/2020			31/12/2019		
	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	17,453	14,075	3,378	42,385	31,562	10,823
Assets leased out	-	-	-	-	-	-
Other property, plant and equipment	4,309	2,640	1,669	7,711	3,300	4,410
Property, plant and equipment	21,762	16,715	5,047	50,096	34,862	15,233
Acquired or internally-developed software	94,092	62,283	31,809	99,911	61,665	38,246
Other intangible assets	73,600	-	73,600	75,785	-	75,785
Intangible assets	167,692	62,283	105,409	175,696	61,665	114,031

Property, plant and equipment

The movement in property, plant and equipment in the year is due mainly to the transfer of the 138 in store finance booths to Carrefour hypermarkets and to the relocation of the Carrefour Banque head office.

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 31st December 2020, impairment testing of these assets on an individual basis (performed using the methods described in Note 3.5, "Intangible assets and property, plant and equipment") did not result in the recognition of any impairment losses. Refer also to Note 3.5 for the application of IFRS 16, "Leases".

Depreciation and amortisation

The net amount of depreciation charged against property, plant and equipment was €17 million in 2020, and €32 million in 2019; the net amount of amortisation charged against intangible assets was €62.3 million in 2020.

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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)	31/12/2019	Charges	Reversals	Other movements	31/12/2020
Employee benefits	27,672	1,702	-3,295	-3,558	22,521
Restructuring provisions	6,145	6,837	-7,016	-840	5,126
Provisions for employee-related risks	756	561	-260	-	1,057
Provisions for legal risks	1,180	200	-600	-	780
IFRS 9 off balance sheet provisions	4,768	215	-	-580	4,403
Other provisions	3,929	14,337	-14,505	-1,358	2,404
TOTAL PROVISIONS	44,450	23,852	-25,676	-6,336	36,291

The reduction in the provision for employee benefits reflects the transfer of the in-store finance booths to the Carrefour parent company.

Note 5

NOTES TO THE INCOME STATEMENT FOR THE YEARS ENDED 31ST DECEMBER 2020 AND 31ST DECEMBER 2019

5.1 / Interest and equivalent income and expenses

(in thousands of euros)	2020			2019		
	Income	Expenses	Net	Income	Expenses	Net
Transactions with customers	159,674	1,222	158,451	181,708	1,353	180,355
Accounts, loans and borrowings	159,674	1,222	158,451	181,708	1,353	180,355
Interbank transactions	5,887	189	5,698	7,212	176	7,037
Accounts, loans and borrowings	5,887	189	5,698	7,212	176	7,037
Repos	-	-	-	-	-	-
Debt securities issued by the Group	2,837	1,782	1,055	5,824	1,774	4,049
Cash flow hedging instruments	11,253	17,616	-6,362	10,957	18,963	-8,006
Other interest and equivalent income/expenses	-	26	-26	-	-	-
TOTAL INTEREST AND EQUIVALENT INCOME/EXPENSES	179,651	20,835	158,816	205,702	22,266	183,435

5.2 / Fee and commission income and expense

Fee and commission income on financial assets amounted to €67.1 million in 2020 (compared with €83.9 million in 2019); fee and commission expense on financial liabilities not measured at fair value through profit or loss totalled €11.2 million in 2020 (compared with €14.1 million in 2019).

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)	2020	2019
Held-for-trading portfolio	3	-1,836
Debt instruments	-	-
Other derivative financial instruments	3	-1,836
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 from counterparty risk on derivative instruments	35	341
Remeasurement of foreign exchange positions	-	-
TOTAL	38	-1,495

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

(in thousands of euros)	2020	2019
Net change in impairment allowance on impaired securities	-	-
TOTAL	-	-

5.5 / Other income and expenses on banking operations

(in thousands of euros)	2020			2019		
	Income	Expenses	Net	Income	Expenses	Net
Share of joint operations	64,396	10,173	54,223	72,280	10,118	62,162
Expenses recharged to Group companies	6,110	-	6,110	6,399	-	6,399
Other income and expenses on banking operations	1,384	20,553	-19,169	1,686	23,535	-21,850
Net income from insurance activities	-	-	-	-	-	-
TOTAL OTHER INCOME AND EXPENSES ON BANKING OPERATIONS	71,889	30,726	41,163	80,365	33,653	46,712

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. Two major events during 2020, as described in Notes 1 and 3.1, affected cost of risk:

- the forward-looking impact of the Covid-19 crisis (€17.2 million);
- the impact of the new definition of default (€3.5 million).

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As a reminder:

Changes to estimates used to calculate Carrefour Banque's cost of risk during 2019 led to an overall increase in provisions as of 31st December 2019 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 20 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.

Cost of risk for the period

(in thousands of euros)	2020	2019
Net reversals of impairment allowances	112,726	-7,466
Charges on customer loans mainly covered by impairment allowances	-190,788	-164,114
TOTAL COST OF RISK FOR THE PERIOD	-78,062	-171,581

Cost of risk for the period by asset class

(in thousands of euros)	2020	2019
Loans and advances to credit institutions	-	-
Loans and advances to customers	-78,062	-171,581
Other assets	-	-
TOTAL COST OF RISK FOR THE PERIOD	-78,062	-171,581

Impairment allowances recorded in respect of credit risk

Changes in impairment during the period

(in thousands of euros)	2020	2019
TOTAL IMPAIRMENT AT START OF PERIOD	461,481	454,014
Net reversals of impairment allowances	-112,725	7,467
Other movements relating to newly-consolidated entities	-	-
Gross impact of IFRS 9 - impairment of assets	-	-
Gross impact of IFRS 9 - impairment of off balance sheet items	-	-
TOTAL IMPAIRMENT AT END OF PERIOD	348,756	461,481

Impairment losses recognised by asset class

(in thousands of euros)	2020	2019
Impairment of assets		
Loans and advances to customers	348,756	461,481
Other assets	-	-
TOTAL IMPAIRMENT LOSSES AND PROVISIONS RECOGNISED	348,756	461,481

Net reversals for the period include €91.4 million relating to write-offs of amounts scheduled for debt relief on completion of over-indebtedness arrangements.

5.7 / Income tax expense

(in thousands of euros)	2020	2019
Current taxes	2,625	9,802
Deferred taxes	32,044	-8,810
TOTAL	34,669	992
(in thousands of euros)	2020	2019
Current pre-tax profit/(loss)	-202	-65,094
Standard tax rate	32.02%	33.33%
Surtaxes	4.70%	4.70%
Theoretical tax charge/(gain)	-65	-22,412
Items taxed at reduced rates		
Net impact of add-backs and deductions ^(*)	32,914	24,176
Levies and duties equivalent to income taxes	-	-185
Other items	1,820	-587
Income tax expense/(gain)	34,669	992
Current income tax expense/(gain) for the period	2,625	9,802
Deferred income tax expense/(gain) for the period (Note 3.8)	32,044	-8,810

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

Note 6

RISK EXPOSURE AND REGULATORY RATIOS

6.1 / Overview of risk exposure

The Carrefour Banque Group specializes in providing consumer credit to retail customers. The Group distributes two main 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 main 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 neutralized 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.

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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 main 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, checks out negative reports, and takes account of events related to the Covid-19 crisis;
- 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 Coordination 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 critical or important 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.

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.
 - 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.
 - 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 3 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, % 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.

(in thousands of euros)	31/12/2020			31/12/2019		
	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	391,662	256,142	135,520	373,823	246,501	127,323
TOTAL DOUBTFUL EXPOSURES	391,662	256,142	135,520	373,823	246,501	127,323

Doubtful exposures schedule

31st December 2020 (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	155,783	17,313	14,608	95,399	108,559	391,662
Impairment allowances on doubtful exposures	88,311	3,864	9,931	75,843	78,193	256,142
Doubtful exposures by time past due	67,472	13,448	4,677	19,556	30,367	135,520

31st 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

6.3 / Interest rate risk on the banking book

Overview of interest rate risk management

Carrefour Banque has two main customer banking books denominated in euros (personal loans and revolving credit), for which specific interest rate hedging strategies are used.

For personal loans, Carrefour Banque's strategy is to contract interest rate hedges with a maturity profile which matches that of customer assets based on static data.

For revolving credit, the hedging strategy is based on 4-year observed dynamic data, within a range defined by upper and lower stop limits.

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.

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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 refinancing position is assessed using internal standards, early warning indicators and regulatory ratios.

Liquidity risk management aims to address the following objectives:

- refinancing buffer based on a monthly review of projected cash surpluses or needs via a comparison between a static or dynamic projection of commitments received and a dynamic projection of customer exposures ;
- compliance with Basel III liquidity ratios;
- diversification of sources of refinancing (bonds, securitisation, negotiable debt instruments, on balance sheet savings deposits);
- adequate liquidity backup.

Note 7

EMPLOYEE REMUNERATION AND BENEFITS

7.1 / Personnel costs

Personnel costs amounted to €62.5 million in 2020, compared with €78.3 million in 2019. The year-on-year change is mainly due to the transfer of 138 in-store finance booths and the related employees to Carrefour hypermarkets, effective 1st September 2020.

Fixed and variable salaries and wages, plus voluntary and statutory profit-sharing expenses, came to €38.7 million (versus €54 million in 2019); retirement benefits, pension costs and other social charges amounted to €23.8 million (versus €24.2 million in 2019); and payroll-based taxes and equivalents totalled €4.2 million (versus €5.4 million in 2019).

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 within the Group.

Net expense for the period

(in thousands of euros)	2020	2019
Service cost	-746	-813
Interest expense	192	415
Expected return on plan assets	-	-
Amortisation of actuarial gains and losses	-	-
Other items	-	-
Net expense/(income)	-554	-399

Movement in the provision

(in thousands of euros)	TOTAL
Provision at 31st December 2019	12,636
Impact in income statement	-554
Effect of changes in scope of consolidation	-3,186
Benefits paid directly by the employer	-97
Other items	8
Provision at 31st December 2020	8,807

The decrease in the provision reflects the transfer of 138 in-store finance booths to the Carrefour parent company.

Amount of the liability

Obligation (in thousands of euros)	TOTAL
Defined benefit obligation at 31st December 2019	27,672
Provision	8,807
Fair value of plan assets	-
Gross obligation	8,807
Actuarial gains and losses	13,714
Defined benefit obligation at 31st December 2020	22,521

Actuarial assumptions

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

Assumptions	2020	2019
Age at retirement	60 - 65 years	60 - 65 years
Salary inflation rate	1.9%	2.5%
Social security charges rate	53%	53%
Discount rate	0.40%	0.75%

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 €1.4 million at 31st December 2020 and €1.6 million at 31st December 2019.

7.4 / Executive remuneration

Remuneration paid to key executives totalled €1.798 million for the year ended 31st December 2020, compared with €1.613 million for the year ended 31st December 2019.

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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)	31/12/2020	31/12/2019
Financing commitments given		
To credit institutions	702,000	908,500
Hedging commitments	702,000	908,500
To customers	1,922,716	2,017,730
Confirmed credit facilities	1,922,716	2,017,730
Hedging commitments	-	-
Other commitments	-	-
Pledges	2,158	1,837
Securities commitments	430,000	430,000
TOTAL FINANCING COMMITMENTS GIVEN	3,056,874	3,358,067
Financing commitments received		
From credit institutions	3,326,222	3,903,200
Hedging commitments	1,694,000	2,053,200
Refinancing commitments	1,632,222	1,850,000
TOTAL FINANCING COMMITMENTS RECEIVED	3,326,222	3,903,200

8.2 / Signed guarantee commitments given and received

(in thousands of euros)	31/12/2020	31/12/2019
Guarantee commitments given		
To credit institutions	-	-
To customers	3,666	5,161
Administrative, tax and other sureties	3,666	5,161
TOTAL GUARANTEE COMMITMENTS GIVEN		
Guarantee commitments received	140	21,276
Sureties received	140	21,276
TOTAL GUARANTEE COMMITMENTS RECEIVED	140	21,276

8.3 / Other guarantee commitments

Financial instruments posted as collateral

(in thousands of euros)	31/12/2020	31/12/2019
Securities posted as collateral	-	-

Financial instruments received as collateral

As of 31st December 2020 and 31st December 2019, 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 31st December 2020, 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 29th 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 2020.

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

(in thousands of euros)	31/12/2020		31/12/2019	
	BNPP PF	Carrefour	BNPP PF	Carrefour
ASSETS				
Loans, advances and securities				
Current accounts	42,818	-	40,917	-
Loans	-	1,093,000	-	1,326,500
Sundry assets	-	21,401	-	13,651
TOTAL	42,818	1,114,401	40,197	1,340,151
Liabilities				
Deposits				
Current accounts	-	-	-	-
Other borrowings	-	-	-	-
Sundry liabilities	-	19,945	-	30,907
TOTAL	-	19,945	-	30,907
Financing and guarantee commitments				
Financing commitments received	532,500	400,000	632,500	500,000
Other guarantee commitments				
Other guarantee commitments received	115	-	20,996	-

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Related-party transactions – income and expenses

(in thousands of euros)	31/12/2020		31/12/2019	
	BNPP PF	Carrefour	BNPP PF	Carrefour
Interest and equivalent income	4	6,110	17	6,400
Interest and equivalent expenses	-677	-22,326	-1,478	-25,275
Fee and commission income	1,399	-	1,549	-
Fee and commission expenses	-3,259	-	-3,457	-
TOTAL	-2,533	-16,216	-3,369	-18,875

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”.

31st December 2020 (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	-	1,909	-	-	-	-	1,909
Financial assets at fair value through profit or loss	4,072	-	-	-	-	-	4,072
Hedging derivatives	68	-	-	-	-	-	68
Financial assets at fair value through other comprehensive income	163,408	-	-	-	-	-	163,408
Loans and advances to credit institutions at amortised cost	-	182,046	1,093,000	-	-	-	1,275,046
Loans and advances to customers at amortised cost	-	262,137	132,638	304,052	453,246	526,502	1,678,575
Securities at amortised cost	-	15	-	-	430,000	-	430,015
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	167,549	446,107	1,225,638	304,052	883,246	526,502	3,553,093
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	4,269	-	-	-	-	-	4,269
Hedging derivatives	10,699	-	-	-	-	-	10,699
Amounts due to credit institutions	-	23,401	360,000	-	-	-	383,401
Amounts due to customers	-	28,343	322,220	-1,054	-223	-1,678	347,608
Debt securities in issue	-	-3,180	408,000	630,000	1,467,447	-	2,502,267
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	14,968	48,564	1,090,220	628,946	1,467,224	-1,678	3,248,244

31st 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 other comprehensive income	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

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 2020. 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.

(in thousands of euros)	31/12/2020		31/12/2019	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Loans and advances to credit institutions	1,275,046	1,275,046	1,980,649	1,980,649
Loans and advances to customers	1,678,575	1,673,367	2,096,816	2,097,142
Financial liabilities				
Amounts due to credit institutions	383,401	383,401	388,266	388,266
Amounts due to customers	347,608	347,625	415,881	415,881
Debt securities in issue	2,502,267	2,494,508	3,109,944	3,109,944

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.

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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	Year	Description of activity	Status	Amount advanced	Debt waivers
SCI Ambaville	2013	Social and ultra-social housing in Réunion	Ongoing	6,021	-4,015
TOTAL				6,021	-4,015

9.8 / Operations by location

Information about operations by country

(in thousands of euros)

Name of operation	Carrefour Banque	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	231,623	8,793	21,603	262,019
Average number of full-time employees	1,120	8	63	1,191
Public subsidies received	NONE	NONE	NONE	NONE
Current pre-tax profit/(loss)	-9,403	-491	9,692	-202
Current taxes	-992	-17	-1,615	-2,625
Deferred taxes	-26,751	-4,490	-803	-32,044

9.9 / Auditors' fees

(in thousands of euros)

	DELOITTE	KPMG
Audit of financial statements	413	424
Non-audit services (CSR)	-	-
TOTAL AUDITORS' FEES	413	424

Statutory Auditors' report on the consolidated financial statements

Year ended 31st December 2020

To the Annual General Meeting of the shareholders of Carrefour Banque S.A.,

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 S.A. for the year ended 31st December 2020.

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 31st December 2020, 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 specified in the Commercial Code and the code of ethics of the auditing profession for the period from 1 January 2020 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.

Services other than audit of the financial statements that we provided to your company (and to entities controlled by it) during the year ended 31st December 2020 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 S.A. Euro Medium Term Notes (EMTN) programme.

Justification of our assessments – Key audit matters

The global crisis caused by the Covid-19 pandemic created challenging conditions for the preparation and audit of this year's financial statements. The crisis – and the unprecedented public health measures taken in response – had multiple consequences for businesses, especially for their operations and finances, and also created increased uncertainty about their future prospects. Some of those measures, such as travel restrictions and teleworking, also had an impact on internal organisation within companies and on the arrangements for conducting audits.

It is in this complex and evolving context that, 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 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.

Consolidated financial statements

MEASUREMENT OF IMPAIRMENT OF LOANS AND ADVANCES TO CUSTOMERS

Risk identified and key judgments	Our audit approach
<p>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 the Group recognises impairment allowances to cover the credit risks inherent in its operations.</p> <p>Impairment allowances are determined using expected loss calculations performed in accordance with IFRS 9:</p> <ul style="list-style-type: none"> - for exposures classified in category 1: expected loss over a 12-month timeframe if credit risk has not increased significantly since initial recognition; - for exposures classified in category 2 (significant increase in credit risk since initial recognition) and category 3 (known credit risk): calculation of expected loss to maturity. <p>The Covid-19 pandemic triggered a health and economic crisis; this affected the ability of borrowers to repay their debts (to varying extents), and disrupted the work of agencies handling over-indebtedness referrals.</p> <p>As a result, some adaptations were required to methods used for calculating impairment allowances to cover expected credit losses given the lack of historical comparatives, as described in Note 1 to the consolidated financial statements.</p> <p>In an economic environment characterised by a high level of uncertainty as a result of the evolving pandemic, estimating expected and known credit losses requires the exercise of judgment, in particular:</p> <ul style="list-style-type: none"> - estimating expected losses for each category of exposure, while taking account of support measures and the lack of historical comparatives; - assessing significant increases in credit risk that would lead to exposures being reclassified to a different category; - establishing the macro-economic projections that are built into expected loss metrics, especially in the current situation. <p>In the notes to the consolidated financial statements, Note 1 (Significant events of 2020), part 2 of Note 3.1 (IFRS 9, "Financial instruments"), Note 4.6 (Loans and advances to customers, amounts due from customers) and note 5.6 (Cost of risk) address all aspects of the estimation of credit losses.</p> <p>Total impairment allowances against loans and advances in the balance sheet as of 31st December 2020 amounted to €348 million. Cost of risk for the year ended 31st December 2020 was €78 million, including €17.2 million for the estimated impact of Covid-19 on expected credit losses (see Note 5.6 to the consolidated financial statements).</p> <p>Given the extent of the accounting estimates required to determine expected losses, especially in the context of the Covid-19 crisis, we regarded measurement of impairment losses against loans and advances as a key audit matter.</p>	<p>With support from our credit experts, we reviewed the segmentation into portfolios and the mapping of provisioning models for each product family, including an analysis of the compliance of calculation methods and risk parameter calibrations with IFRS 9, with particular reference to:</p> <ul style="list-style-type: none"> - 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). <p>We performed tests on methodological changes and adaptations to methods used for calculating impairment allowances to cover expected credit losses in response to the crisis triggered by the Covid-19 pandemic.</p> <p>We conducted a cross-check by running a calculation using our own tools, to obtain assurance that operational risk was controlled and to ensure that the calculation methodology as audited was being correctly applied in the bank's own calculation tool.</p> <p>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.</p> <p>Our IT experts tested the design and use of the IT controls in place within Carrefour Banque, including a review of general IT controls, interfaces, and embedded controls specific to IFRS 9 cash flows.</p> <p>We also tested the design and use of the controls put in place by Carrefour Banque in connection with the process used for calculation and backtesting of key risk parameters.</p> <p>Finally, we assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements – in Note 1 (Significant events of 2020), part 2 of Note 3.1 (IFRS 9, "Financial instruments"), Note 4.6 (Loans and advances to customers, amounts due from customers) and note 5.6 (Cost of risk) – in the context of the evolving pandemic, and with reference to the credit risk disclosure requirements of IFRS 7.</p>

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 financial statements of the information presented in the management report prepared by the Board of Directors or in other documents addressed to the shareholders about the company's financial position and consolidated financial statements.

OTHER VERIFICATIONS AND INFORMATION SPECIFIED BY LEGAL AND REGULATORY REQUIREMENTS

Appointment as statutory auditors

We were appointed as statutory auditors of Carrefour Banque S.A. by the Annual General Meetings of 25th May 2004 (Deloitte & Associés) and 25th June 1980 (KPMG).

As of 31st December 2020, Deloitte & Associés was in its seventeenth uninterrupted year as statutory auditor, and KPMG in its forty-first.

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 10 February 2021.

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 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, 9th April 2021

The Statutory Auditors

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S.A. (limited liability company) with capital of €101,346,956.72

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