REGISTRATION DOCUMENT
ANNUAL FINANCIAL REPORT

CM11-CIC GROUP
BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL

2012

Crédit Mutuel
LA banque à qui parler

Introduction

CM11-CIC Group consists of the mutual banking division, or CM11 Group, and the shareholder-owned division, or BFCM Group. The overall organizational chart depicting the two divisions appears on page 8.

BFCM Group

This Group consists of :

– Banque Fédérative du Crédit Mutuel, a holding company of the CM11-CIC Group that also exercises financing and capital markets activities ;
– Crédit Industriel et Commercial, the holding company for CIC Group and lead bank for the branch network, that is also a regional bank in the Ile de France region and exercises investment, financing and capital markets activities ;
– specialized institutions by business line in France and abroad.

BFCM also provides centralized refinancing for CM11-CIC Group and is therefore active in financial markets as an issuer of financial instruments.

The mutual banking division – CM11 Group

The mutual banking division, or CM11 Group, consists of the Crédit Mutuel Caisses, the Crédit Mutuel federations and Caisse Fédérale de Crédit Mutuel. It controls BFCM.

• The Crédit Mutuel Caisses, or local Caisses

The Crédit Mutuel Caisses, cooperative associations in certain French departments (Moselle, Bas-Rhin, Haut-Rhin) and variable-capital credit cooperatives in all others, are the foundation of the CM11 Group. Under the French Monetary and Financial Code, they are credit institutions whose equity capital is held by the stock-owning members, who are both members and customers. Legally autonomous, these local Caisses collect savings, grant credit and offer a full range of financial services.

• The Federation and Caisse Fédérale de Crédit Mutuel

The local Caisses belong to a federation. Depending on where the local Caisses are located, the federation is either an association subject to the Law of July 1, 1901 or, for those local Caisses situated in the French departments of Haut-Rhin, Bas-Rhin and Moselle, an association subject to the locally applicable Civil Code. As a strategic planning and control body, the federation represents Crédit Mutuel in its region.

From a regulatory, technical and financial standpoint, Caisse Fédérale de Crédit Mutuel holds the collective banking license that benefits all affiliated local Caisses, in accordance with the French Monetary and Financial Code.

Caisse Fédérale de Crédit Mutuel is responsible for the CM11 Group's solvency and liquidity as well as the Group's compliance with banking and financial regulations, pursuant to Article R511-3 of the French Monetary and Financial Code.

On behalf of the local Caisses, Caisse Fédérale de Crédit Mutuel therefore performs financial functions such as liquidity management and also provides technical, legal and IT services either directly or through subsidiaries of BFCM (insurance, leasing, etc.).

As of January 1, 2012, the CM11 Group scope includes the Crédit Mutuel federations that have established partnerships authorized by the supervisory authorities and that resulted in making Caisse Fédérale du Crédit Mutuel Centre Est Europe, renamed Caisse Fédérale de Crédit Mutuel, the common Caisse for the 11 Crédit Mutuel groups comprising Crédit Mutuel Centre Est Europe (Strasbourg), Crédit Mutuel Ile-de-France (Paris), Crédit Mutuel Midi-Atlantique (Toulouse), Crédit Mutuel Savoie-Mont Blanc (Annecy), Crédit Mutuel du Sud-Est (Lyon), Crédit Mutuel Loire Atlantique et Centre Ouest (Nantes), Crédit Mutuel du Centre (Orléans), Crédit Mutuel Normandie (Caen), Crédit Mutuel Méditerranéen (Marseille), Crédit Mutuel Dauphiné Vivarais (Valence) and Crédit Mutuel Anjou (Angers).

CM11-CIC Group

Operating under the name CM11-CIC Group, the mutual banking division and the BFCM Group are complementary and interconnected. Not only is CM11 Group the controlling shareholder of BFCM Group, the Crédit Mutuel Caisses of the 11 federations are a vital network for marketing the products and services of BFCM's specialized subsidiaries; these subsidiaries then pay commissions to the Caisses in return for the deal flow.

CM11-CIC's consolidated financial information therefore provides a comprehensive economic overview of the Group by including the entities not otherwise included in BFCM's consolidated scope : the mutual banking network, ACM Vie SAM (mutual insurance company), the IT subsidiaries and the CM-CIC.

Reconciliation of CM11-CIC group's NBI with BFCM group's NBI as of 12/31/2012.

BFCM Group's net banking income is derived by adjusting for the contributions from entities not consolidated in this scope and after intra-Group eliminations.

€ milions	
CM11-CIC's NBI	**11,462**
Companies excluded from BFCM's consolidated scope	**- 3,836**
in the Banking network business line (regulatory scope[1]…)	- 2,813
in the Insurance business line	- 94
in the Logistics business line : IT subsidaries	- 857
in the Logistics business line : other	- 72
Consolidation adjustments	**532**
BFCM group's NBI	**8,159**

1. Comprising the 11 Credit Mutuel federations, the Credit Mutuel Caisses members of their respective federations and Caisse Federale de Credit Mutuel.

Corporate governance

CM11-CIC Group does not have a single deliberative body. Each Crédit Mutuel Caisse appoints a Board of Directors made up of volunteer members elected by stock-owning members at a general meeting. From among these members, the Caisses elect their representative to the District, a common body for a group of Crédit Mutuel Caisses ; the Chairman of the District automatically becomes a member of the federation's Board of Directors. In that capacity, the elected representative can become a member of the Board of Directors of Caisse Fédérale de Crédit Mutuel and its subsidiary, BFCM.

In addition, the internal control and anti-money-laundering and terrorism financing procedures are homogenous throughout the CM11-CIC Group.

Given this organizational structure, the section "Corporate Governance of CM11-CIC Group and BFCM" will limit itself to a presentation of the administrative, management and supervisory bodies of BFCM, and the Report of the Chairman of the Board of Directors on the Operation of the Board of Directors and Internal Control and Anti-Money-Laundering and Terrorism Financing Procedures will apply to both the CM11-CIC Group as well as BFCM Group.

This Registration Document for CM11-CIC Group also serves as the :

- ***Registration Document of Banque Fédérative du Crédit Mutuel in its capacity as the issuer for the CM11-CIC Group,***
- ***Annual financial report of Banque Fédérative du Crédit Mutuel,***
- ***Annual financial report of CM11-CIC Group.***

CONTENTS

I. PRESENTATION OF CM11-CIC GROUP AND BFCM GROUP

I.1 – CM11-CIC and BFCM group 8
I.2 – Key figures – Solvency ratio and ratings 11
I.3 – CM11-CIC group organization and business lines 12
I.4 – History of CM11-CIC group and BFCM group 22

II. CORPORATE GOVERNANCE OF CM11-CIC GROUP AND OF BFCM

II.1 – BFCM Board of Directors 25
II.2 – Report on the Board of Director's operations and internal control procedures 32
II.3 – Statutory auditor's report on the Report of the Chairman of the Board of Directors 41
II.4 – Report on the system of procedures to combat money laundering and terrorism financing 43

III. FINANCIAL INFORMATION ABOUT CM11-CIC GROUP

III.1 – CM11-CIC group management report 46
III.2 – Recent developments and outlook 60
III.3 – Risk report 61
III.4 – Consolidated financial statements 80
III.5 – Statutory auditors' report on the consolidated financial statements of CM11-CIC 147

IV. CM11-CIC GROUP BASEL PILLAR 3 DISCLOSURE FINANCIAL YEAR 2012

IV.1 – Risk management 150
IV.2 – Equity structure 150
IV.3 – Capital adequacy 153
IV.4 – Concentration risk 154
IV.5 – Standard approach 157
IV.6 – Rating system 158
IV.7 – Counterparty risk for trading desks 165
IV.8 – Credit risk mitigation techniques 165
IV.9 – Securitization 166
IV.10 – Operational risks 169
IV.11 – Equities 170
IV.12 – Banking portfolio interest rate risk 170

V. FINANCIAL INFORMATION ABOUT BFCM GROUP

V.1 – BFCM Group's key figures 172
V.2 – BFCM Group Management Report 173
V.3 – Recent developments and outlook 178
V.4 – Risk report 179
V.5 – Consolidated financial statements of BFCM Group 198
V.6 – Statutory auditors' report on the consolidated financial statements of BFCM Group 264

VI. KEY FINANCIAL POINTS RELATING TO BFCM'S ANNUAL FINANCIAL STATEMENTS

VI.1 – Management report on BFCM's annual financial statements 268
VI.2 – BFCM's financial statements 270
VI.3 – Information on subsidiary and associated companies 298
VI.4 – Statutory auditors' report on the parent company financial statements 302

VII. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

VII.1 – General information 306
VII.2 – Methodology note – Indicators 307
VII.3 – Reporting – 2012 310
VII.4 – Certification by the independent auditor of the presence of employment, environmental and social information in the management report 314

VIII. LEGAL INFORMATION ABOUT BFCM

VIII.1 – Shareholders 316
VIII.2 – Statutory auditors' report on regulated agreements and commitments 328
VIII.3 – Statutory auditors' report on the cancellation of preferential subscription rights 333
VIII.4 – Sundry information 334

IX. ADDITIONAL INFORMATION

IX.1 – Documents available to the public 339
IX.2 – Person responsible for the information 339
IX.3 – Person responsible for the Registration Document 339
IX.4 – Statutory Auditors 340
IX.5 – Registration document cross-reference table 341

I. PRESENTATION OF CM11-CIC GROUP AND BFCM GROUP

I.1 – CM11-CIC group and BFCM group

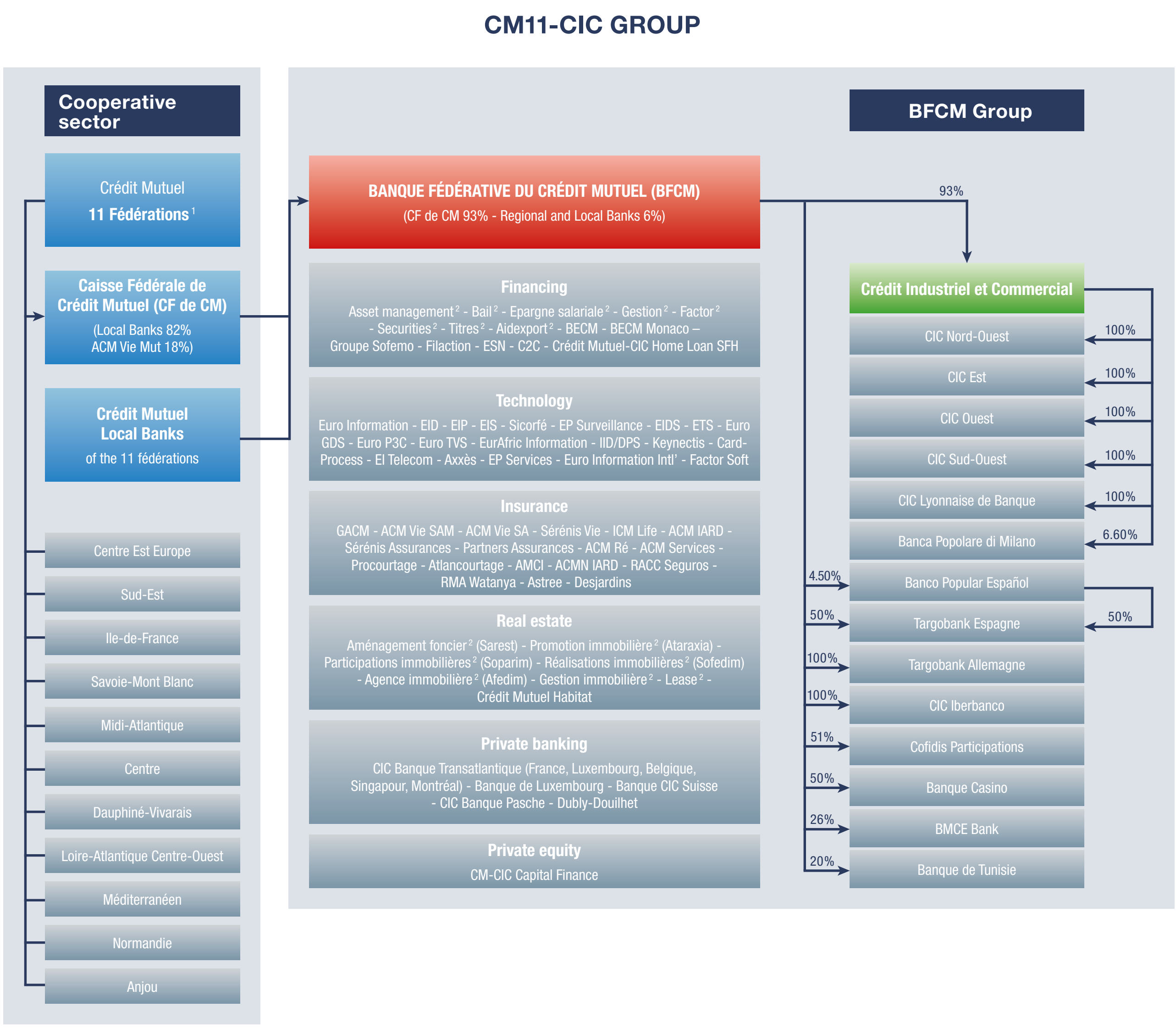
The regulatory scope and BFCM Group together make up CM11-CIC Group.

• The regulatory scope (cooperative sector or Crédit Mutuel 11 Group or CM11 Group) consists of the Crédit Mutuel Centre Est Europe, Crédit Mutuel Sud-Est, Crédit Mutuel Ile-de-France, Crédit Mutuel Savoie-Mont Blanc, Crédit Mutuel Midi-Atlantique, Crédit Mutuel Centre, Crédit Mutuel Dauphiné-Vivarais, Crédit Mutuel Loire-Atlantique et Centre-Ouest, Crédit Mutuel Méditerranéen, Crédit Mutuel Normandie and Crédit Mutuel Anjou federations, the Caisses de Crédit Mutuel, which are members of their respective federations and Caisse Fédérale de Crédit Mutuel (CF de CM). This entity owns 99% of Banque Fédérative du Crédit Mutuel.

• BFCM Group consists of:
– Banque Fédérative du Crédit Mutuel, the CM11-CIC Group's holding company, which owns a 93% equity interest in Crédit Industriel et Commercial (CIC) and also performs financing and capital markets activities;
– Crédit Industriel et Commercial, the holding company of CIC Group and head bank for the network, which is also a regional bank in Ile de France and exercises investment, financing and capital markets activities;
– specialized institutions by business line in France and abroad.

CM11-CIC group has 23.8 million clients, 4,674 points of sale and more than 65,800 employees.

CM11-CIC group and BFCM group general organizational chart



1. Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Centre, Dauphiné-Vivarais, Loire-Atlantique et Centre-Ouest, Méditerranéen, Normandie, Anjou.
2. CM-CIC subsidiaries.

I.1.1 – The cooperative sector

The Caisses de Crédit Mutuel (CCM) are the lowest-level units of the banking network making up the CM11-CIC Group. The local Caisses under the control of their stock-owning members are registered as variable capital credit cooperative companies with limited liability, or as cooperative trading companies with limited liability. Each local Caisse operates independently and provides local banking services.

The federations, entities with the status of associations in which membership is compulsory for the local Caisses, are the policy organs that set the Group's strategic directions and organize solidarity between the Caisses.

The Caisses de Crédit Mutuel, the ACM Vie mutual companies and the federations collectively own Caisse Fédérale de Crédit Mutuel (CF de CM). This French corporation has the status of a cooperative banking company (*"société anonyme à statut de sociétés coopératives de banque"*) and overall responsibility for the delivery and coordination of the services common to the network. Caisse Fédérale de Crédit Mutuel centralizes all the funds held on deposit by the Caisses while at the same time refinancing them and allocating funds on their behalf as required by regulations (mandatory reserves, assigned deposits, etc.).

Initially serving the Caisses of the Crédit Mutuel Centre Est Europe (CMCEE) federation, Caisse Fédérale de Crédit Mutuel has, through partnership agreements signed between 1993 and 2011, put its logistical and financial support resources to work on behalf of the Caisses from 10 other federations. The collective banking license for the successive new entities was granted by the French Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement, CECEI*).

The CM11 network now comprises 1,359 Caisses, 2,017 points of sale and 6.7 million customers, including 4.7 million stock-owning members in 83 French departments, with a combined population of more than 45 million.

The 11 federations, the local Crédit Mutuel Caisses, which are members of their respective federations and Caisse Fédérale de Crédit Mutuel together make up the regulatory scope, also known as the cooperative sector or CM11 Group. The cooperative sector owns a 99% equity interest in Banque Fédérative du Crédit Mutuel (BFCM).

I.1.2 – BFCM Group

The current configuration of Banque Fédérative du Crédit Mutuel is the outgrowth of restructuring transactions carried out in 1992. The restructuring was designed to clarify the functions performed by the Group's various entities by distinguishing the cooperative activities of the parent company (local Caisses, Caisse Fédérale de Crédit Mutuel and the federations) from the diversified operations controlled by BFCM, a holding company.

BFCM is therefore the parent company of the Group's subsidiaries and coordinates their activities. These subsidiaries are active in finance, insurance, electronic banking and information technology. It performs the central refinancing function on behalf of CM11-CIC Group. It is responsible for financial relations with large corporates and local authorities by performing payment processing and credit activities as well as financial engineering transactions. BFCM also acts as custodian for investment funds (*Organismes de Placement Collectif - OPC*).

In its role as holding company, BFCM owns:

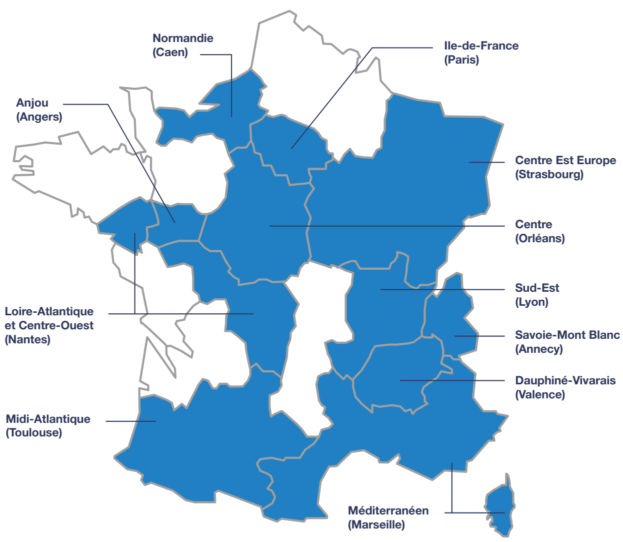
– 93% of Crédit Industriel et Commercial, the CIC Group's holding company and head bank of the network, which also performs investment, financing and capital markets activities;

– 53% of Groupe des Assurances du Crédit Mutuel (GACM), which in turn controls ACM IARD SA, ACM Vie SA and which creates and manages insurance product lines in the property and casualty, liability, personal and life insurance segments;

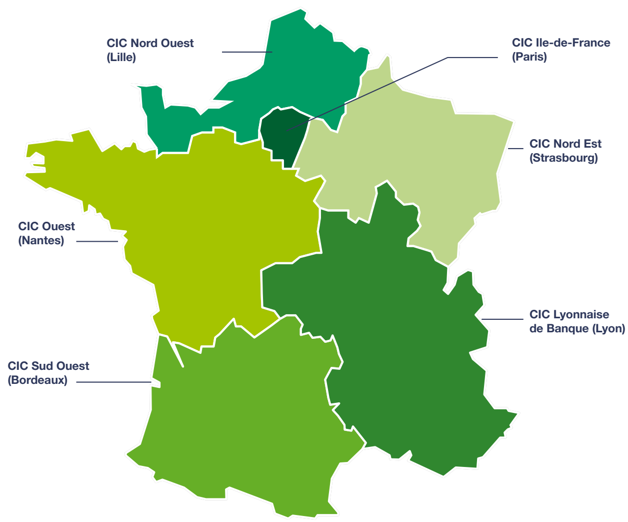
– various institutions specialized by business line, both in France and abroad (notably Banque Européenne du Crédit Mutuel, Cofidis Group, Targobank Germany, CM-CIC Asset Management, CM-CIC Factor, etc.)

BFCM, CIC, GACM and the various institutions specialized by business line all make up BFCM Group.

• The 11 Credit Mutuel Federations of CM11



The Regional Banks of CIC



• Main geographical locations of CM11-CIC group

SPAIN
- Targobank Spain
- Banco Popular Español
- Cofidis Spain
- Joint subsidiary with Royal Automobile Club de Catalogne (RACC) (insurances)
- Agrupacio AMCI (insurances)

TUNISIA
- Banque de Tunisie
- Astree (insurances)
- Information International Developments (IID)
- Direct Phone Services

MAROCCO
- Banque Marocaine du Commerce Extérieur (BMCE)
- RMA Watanya (insurances)

GERMANY
- BFCM Francfort
- BECM Francfort, Düsseldorf, Stuttgart
- CM-CIC Leasing GmbH
- Targobank Germany

BELGIUM
- CM-CIC Leasing Benelux
- Banque Transatlantique Belgium
- Partners (insurances)
- Cofidis Belgium

LUXEMBOURG
- Banque de Luxembourg
- Banque Transatlantique Luxembourg
- ICM Life (insurances)
- ACM Ré (insurances)

SWITZERLAND
- CIC Private Banking - Banque Pasche
- CIC Switzerland

GREAT-BRITAIN
- CIC Branch

ITALY
- Banca Popolare di Milano
- Cofidis Italy

PORTUGAL
- Cofidis Portugal

HUNGARY
- Cofidis Hungary

SLOVAKIA
- Cofidis Slovakia

CZECH REPUBLIC
- Cofidis Czech Republic

I.2 – Key figures – Solvency ratio and ratings

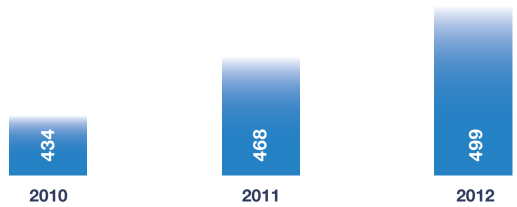
The 2011 figures take into account IAS19-R and the accounting restatement of the investment in Banco Popular Español.

CM11-CIC group

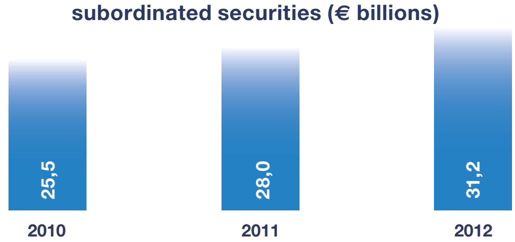
	2012	2011	2010
Net banking income	11,462	11,065	10,889
Operating income	3,040	2,679	3,228
Net income	1,823	1,843	2,341
Net income attributable to the group	1,622	1,660	1,961
Cost-to-income ratio [1]	64%	63%	58%

1. Ratio of overheads to net banking income.

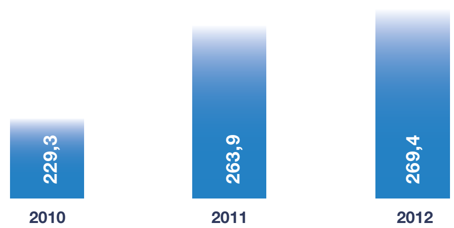
Total assets
(€ billions)



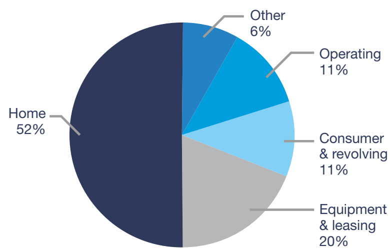
Shareholder's equity and deeply subordinated securities (€ billions)



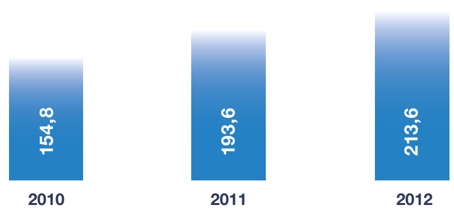
Net customer loans
(€ billions)



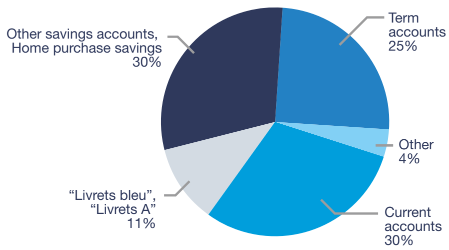
2012 structure of net loans



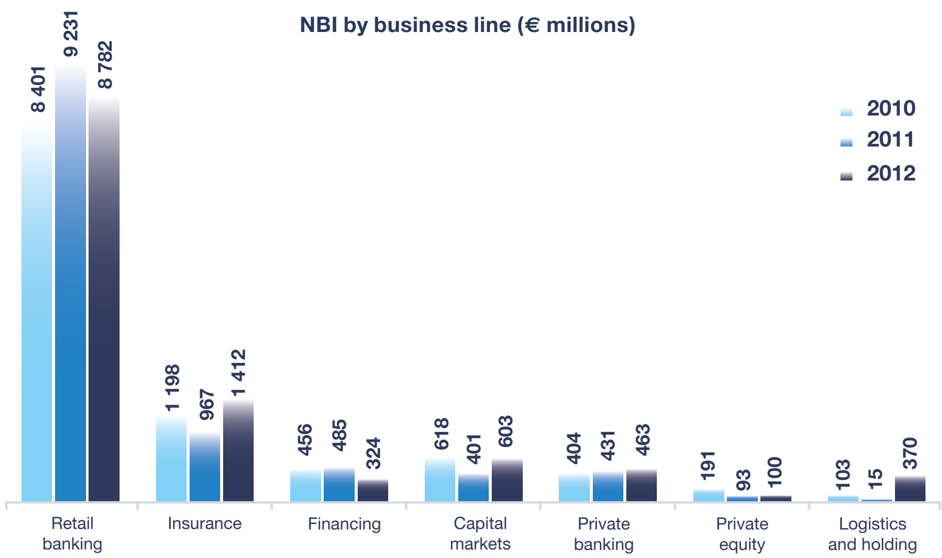
Customer deposits (€ billions)
excluding SFEF



2012 structure of bank deposits



NBI by business line (€ millions)



CM11-CIC Group European solvency ratio and BFCM ratings

As of December 31, 2012, CM11-CIC's reported equity and super-subordinated securities totaled €31.2 billion and Tier 1 capital was €21.8 billion. The Core Tier 1 European solvency ratio was 14.1%, one of the best at the European level. Information on CM11-CIC Group's solvency ratio risks are presented in the section "Information on Basel II Pillar 3".

This sound financial position was confirmed by the various rating agencies, which maintained Banque Fédérative du Crédit Mutuel's long-term rating at the same level throughout 2012.

BFCM senior ratings	Standard & Poor's	Moody's	Fitch Ratings
Medium- and long-term	A+	Aa3	A+

I.3 – CM11-CIC group organization and business lines

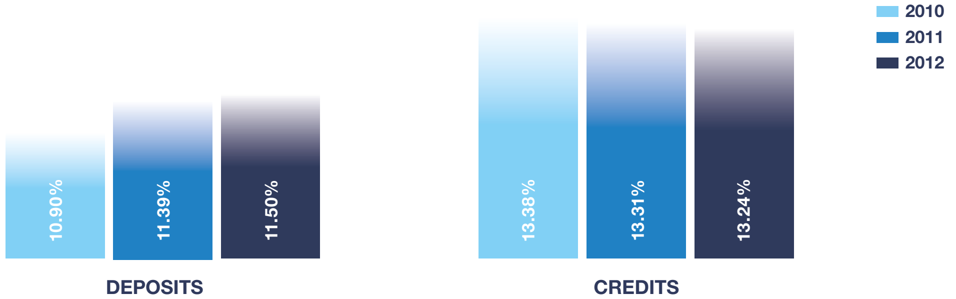
CM11-CIC group, which consists of the cooperative sector and BFCM Group, is controlled by 11 Crédit Mutuel federations: Centre Est Europe, du Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, du Centre, Normandie, Dauphiné-Vivarais, Méditerranéen and Anjou. These federations are members of the Confédération Nationale du Crédit Mutuel, the central body whose mission is to represent the Group before the public authorities, promote and defend its interests and exercise control over the federations.

The competitive positioning [1] is analyzed at the level of the overall Crédit Mutuel Group, whose retail banking and insurance business lines make it a major retail banking and insurance company in France. Crédit Mutuel thus has 17.1% market share for bank credit and 15% market share of deposits. In other segments, Crédit Mutuel ranks as follows:

– N°1 property and casualty insurance provider among banking and insurance companies
– N°1 bank for associations and works councils
– N°2 bank in electronic banking
– N°2 bank in farm lending
– N°3 bank in home loans
– N°3 bank for SMEs
– N°4 bank for consumer credit in Europe.

CM11-CIC group's market share for deposits and bank credits remained stable in 2012 at 11.50% and 13.24%, respectively.

CM11-CIC market share (source CEFIT)



The group did not market new products or exercise new activities in 2012.

1. The sources of the rankings are explicitly stated, otherwise the information is based on internal sources.

I.3.1 – CM11-CIC Group simplified organizational chart

* Entities unconsolidated in the BFCM group.

I.3.2 – The group's business lines and its main subsidaries

I.3.2.1 – Retail banking, the group's core business

Retail banking is the CM11-CIC group's core business and represents nearly 75% of its result. These business line includes the local Credit Mutuel banks network, the CIC regional bank network and the CIC network in Ile de France, Banque Européenne du Crédit Mutuel, the CIC Iberbanco branches, the Targobank network in Germany, the Targobank network in Spain, Cofidis Group, Banque Casino and all specialized activities which products are marketed by the networks, such as equipment leasing and leasing with purchase option, real estate leasing, vendor credit, factoring, fund management and employee savings.

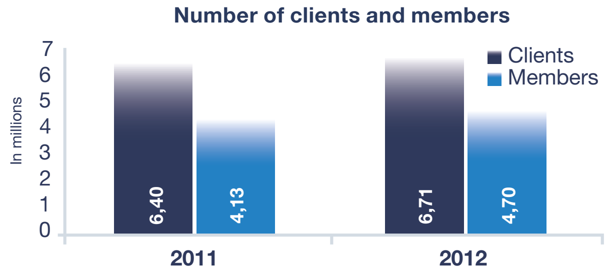
They all recorded satisfactory performances in 2012. Growth in bank deposit collection for the principal networks, which was already robust in 2011, ranged between 6.5% and 28.8% last year. Credit outstandings also increased, although at a slower pace (0.5% to 13.7%).

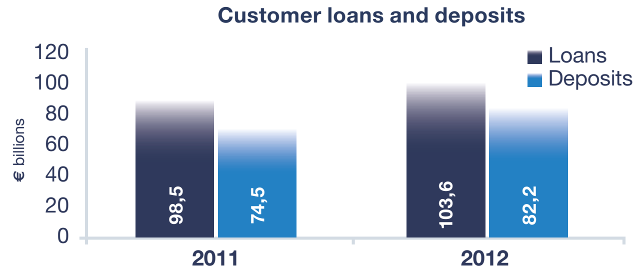
I.3.2.1.1 – CM11-CIC group retail banking networks

Crédit Mutuel 11 Group

As of 1 January 2012, Crédit Mutuel Anjou joined the CM10 group, wich together form the CM11 group. Constituted by the 11 Federations of Crédit Mutuel, by the local Crédit Mutuel banks that are members of the relevant Federation as well as the Caisse Fédérale of Crédit Mutuel, CM11 group maintained its focus on its private clients, associations, professionals and corporates.

The dynamism, the proximity and the quality of its product offer of sales offer had made it possible to increase the number of customers of 300 000 to reach 6.7 million at the end of 2012; the Federation of Crédit Mutuel Anjou bringing 248,000 customers to the new group.





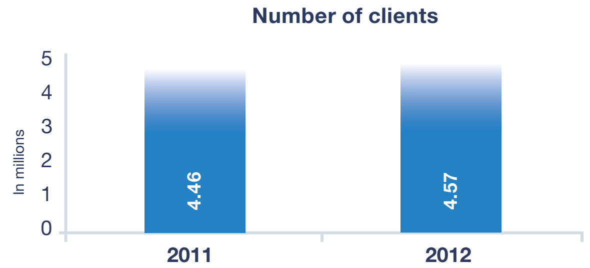
Loan outstandings increased by €5 billion to €103.6 billion as of December 31, 2012. At constant scope, equipment loans and housing loans increased by 5.9% and 1.3%, respectively. Credit Mutuel Anjou brought a loan portfolio totaled nearly €3.4 billion.

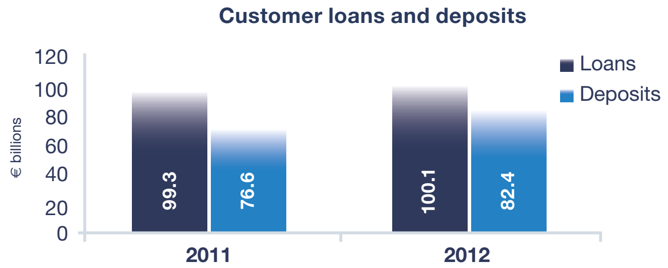
Bank deposits increased by nearly €7.7 billion as of end 2012, including €2.8 billion from Crédit Mutuel Anjou, bringing total deposits to more than €82 billion. The "Livret Bleu" and other savings accounts recorded the strongest increases, rising by 13.2% and 14.3%, respectively.

CIC – Bank networks

CIC's bank networks consist of CIC's regional bank networks and CIC's network in Ile-de-France.

Retail banking is also the core business of CIC, which continued to improve the quality of its network by creating 24 points of sale in 2012, notably in the Paris region, in Brittany and in Southwestern France. This policy of developing the branch network activities enabled CIC to add 100,000 new clients, bringing its total to more than 4.5 million.





CIC network banks had total lending of €100.1 billion, up €800 million from 2011. Bank deposits also trended favorably, rising by 7.5% to reach €82.4 billion at end-2012. Financial savings remained essentially unchanged compared to 2011 at €54 billion.

Banque Européenne du Crédit Mutuel (BECM)

BECM works alongside the Caisses de Crédit Mutuel and with the CIC branch network in four large markets:
– large corporates and SMEs,
– financing of real estate development, mainly in the housing sector,
– real estate companies specializing in the management of leased residential and commercial properties and office space,
– large order-givers in payments, notably in the retail, transportation and services sectors.

Thanks to its market positioning, BECM also manages on behalf of CM11-CIC Group the activities related to real estate professionals and large order-givers in corporate payments. BECM's activity revolves around a network of 50 branches (including three in Germany, one in Saint Martin and, since 2012, one in Monaco). The bank has more than 20,800 clients.

Credit outstandings totaled €10.4 billion as of end-2012, up 3%. While the growth in investment credits was driven by a few acquisition transactions, operating credits contracted from the previous year, reflecting the lackluster state of customer order books.

Meanwhile, our clients' working capital needs remain under control and many companies have a cash surplus. This situation favorably impacts total fund deposits, which rose by 16.4% to €8.5 billion. The ongoing collection efforts by the networks enabled bank deposit volume to record strong growth (28.8%) for the second consecutive year.

CIC Iberbanco

With 21 branches in Ile de France, the Lyon region and southern France (Bordeaux, Midi-Pyrénées and Languedoc Roussillon) and 122 employees, CIC Iberbanco added nearly 3,400 new clients in 2012.

Savings volume increased by 11% to reach €440 million. Overall credit outstandings totaled €332 million, a nearly 13.7% increase relative to 2011. The insurance and telephony activities are performing satisfactorily, with 14,000 and 2,679 contracts, respectively.

Targobank Germany

The Targobank network consists of 343 points of sale, including 11 new ones opened in 2012, and nearly 700 automatic teller machines nationwide in Germany. Targobank has more than 6,650 employees and 3 million clients.

Credit outstandings continued to increase in 2012, rising by 1% to €10.1 billion. Deposits increased by nearly €1 billion, a 10% increase. The bank strives to keep funding closely in line with lending, such that the loan-to-deposit ratio was 96% at end-2012.

On the sales front, Targobank continued to work on the development of simple products, close to its core business. In order to expand its client base, the bank added auto financing to its product line.

The bank is also striving to raise its profile through innovation by offering contactless payment technologies developed by the Group to its German customers. As of August 1, 2012, Targobank has been the first financial institution to offer – through a joint initiative with the telecommunications operator E-Plus – a mobile payment solution developed by CM11-CIC.

Targobank Spain

(proportionally consolidated subsidiary whose contribution to the financial statements represents 50% of the total)

An all-purpose bank jointly held 50-50 by BFCM and Banco Popular Español, Targobank Spain has 125 branches located for the most part in the country's main centers of economic activity and more than 235,000 clients, more than 80% of which are individuals. It manages an installed base of 152 ATMs and 125,000 debit/credit cards.

Credit outstandings totaled more than €1 billion, most of them home loans. Bank deposits totaled €787 million, of which 59% was deposited in term accounts.

I.3.2.1.2 – Ancillary businesses to retail banking

Ancillary businesses to retail banking include the specialized subsidiaries that market their products through their own applications and/or through the CM11-CIC local Caisses or retail branches: consumer credit, factoring and receivables management, leasing, fund management and employee savings.

Consumer credit

Cofidis Group

Cofidis Group, which is jointly held with 3Suisses International, designs, sells and manages a broad range of financial services such as consumer credit, payment solutions and banking services (current accounts, savings, online brokerage and investments). To that end, it has three specialized company brands specializing in the sale of financial products and services:
– Cofidis, a European online credit specialist with offices in France, Belgium, Italy, Spain, Portugal, Czech Republic, Hungary and Slovakia;
– Monabanq, the CM11-CIC online bank;
– Creatis, a specialist in consumer credit consolidation.

Financings were up by a modest 1% even though consumer credit markets were in decline in the main countries of France, Spain and Portugal.

Sofemo Group

The company is focused on installment credits and the development of vendor credits. It has 142 employees and more than 476,000 clients.

In 2012, new lending totaled €603 million, compared with €745 million in 2011. Net customer loan outstandings remained stable at €1.1 billion.

Banque Casino

(proportionally consolidated subsidiary whose contribution to the financial statements represents 50% of the total)

The bank, which has been jointly held 50-50 with Casino Group since July 2011, distributes credit cards, consumer credit and insurance products in Géant Casino hypermarkets, Casino supermarkets and online through the C-Discount e-commerce site.

The first half of 2012 was marked by the bank's integration into the CM11-CIC Group IT systems and procedures, while the second saw a clear turnaround in production and profitability indicators, while ensuring good control over risks.

Factoring and receivables management

CM-CIC Factor is the CM11-CIC Group's business center for receivables financing and management. It provides short-term financing for companies, in France and abroad, with a line of factoring and assignment solutions for disclosed trade receivables.

In the factoring segment, CM-CIC Factor increased its market share for the fourth consecutive year. Purchased receivables increased by 11.9% to €16.3 billion, commercial production was nearly €4.5 billion and gross credits outstanding rose by 9% to €2.6 billion. This activity has more than 3,000 active clients. The business development with the partner banks, a key priority, generated €20.3 million in commissions.

For receivables management, the year was marked by a 7% increase in inflows to €2 billion for 316,483 invoices processed. Commission payments to partner banks totaled €11.1 million.

Leasing

CM-CIC Bail

Despite a less dynamic investment financing market than in 2011, CM-CIC Bail continued to grow in 2012, with more than €3.6 billion in new leases written. This growth was driven by the branch networks, the auto segment and partnerships.

Efforts to optimize customer satisfaction continued throughout the year with the deployment of new processes. These included: a streamlined process for lease requests, with very rapid application and response times as well as enhanced productivity through electronic document management; product offers integrated into the consumer credit financing software; simplified and improved financing solutions for farm equipment directly with manufacturers and dealers; the development of a product line at the European subsidiaries.

CM-CIC Lease

In 2012, CM-CIC Lease recorded a slight increase in the number of real estate lease transactions for Crédit Mutuel-CIC customers. New financing agreements signed amounted to 314 (a 1.9% increase) for a total volume of €581 million, which reflected a 14% decrease due to lower average transaction amounts.

CM-CIC Lease has made improved customer satisfaction in acquisitions and project management a priority. In 2012, it renewed a major training program designed to enhance the efficiency of its staff, which resulted in a stronger presence as lead lessor in syndicated lease transactions (47.9% of cases compared with 39.4% in 2011).

Total outstandings, including committed transactions (off-balance sheet) grew by 6.2% to more than €3.6 billion. Of this total, 72% involve commercial, industrial and warehouse facilities in roughly equal measure, while the balance comprises facilities in a range of other sectors: office space, hotels, leisure, education and healthcare.

Fund management and employee savings

CM-CIC Asset Management

In 2012, CM-CIC Asset Management, the business center for the Group's asset management and France's fifth-largest asset manager, recorded 13% growth in assets under management to €57.8 billion.

This increase was mainly due to additional inflows of €6.3 billion on low-risk assets. Despite historically low interest rates in the second quarter, money market funds continued to post strong gains through subscriptions by companies and institutional investors. As a result, CM-CIC Asset Management was France's third-leading asset manager in terms of net inflows in 2012.

As for equity mutual funds, CM-CIC Asset Management's performance was in line with the overall French market. Showing their aversion to risk, investors largely fled this asset class and missed out on the market rebound. The decline nevertheless remained limited thanks to the sizeable gains in market valuations. Outstandings therefore increased by nearly €90 million.

To get the benefit of an attractive return that is less susceptible to a potential rise in interest rates, CM-CIC AM launched Union Obli High Yield 2015 in the bond segment, a combination of high-yield bonds and staggered maturities. Targeting individuals, CM-CIC successfully launched defined-maturity mutual funds. These include: Union Obli 2020, eligible for life insurance investments, which was launched in April and already up to nearly €100 million in outstandings by end-December; Union Indiciel Chine, an emerging market index fund eligible for French equity savings plans (PEA) that enables investors to benefit from the returns and rapid growth in the Chinese market.

In 2012, CM-CIC Asset Management worked closely with the networks to plan for the future and take advantage of opportunities to develop its assets under management. Some of these efforts are listed below:

– formula-based funds, which have become more suitable for wealth management, making it possible to take advantage of market trends. Dynamique Europe December 2018, for example, had better-than-expected net inflows at year-end. Two others of the same type were already repaid in the last quarter, with annualized returns of close to 8% and 10%.

– regular events focusing on “Bonds” and “Equities”, where individuals and investors can learn more about thematic equity funds such as Union Europe Growth, CM-CIC Or et Mat, CM-CIC Mid France (which became Union Mid Cap in early 2013) or bond funds such as the highly ranked and award-winning Union Obli Moyen Terme.
– new market development targeting individual investors in Germany through Targobank, with a new sales policy integrated into this subsidiary’s own units and operating methods, and two funds created under the Crédit Mutuel name, which are off to promising starts in 2013. Meanwhile, working with BECM in Frankfurt in the institutional investor market, seven interest rate funds, which are feeder funds of CM-CIC AM funds, were launched in late 2012.
– a joint study with several Group entities on the organization of the financial business lines, which resulted in the CM-CIC Investor Services project, with cross-training of a specialized sales staff (mainly custodians, depositories, valuers and issuer services).
– a strengthening of the role of accounting services provider, with the valuation of 950 internal and external collective investment undertakings (of which 75 third-party asset management companies).

CM-CIC Epargne salariale

At year-end 2012, CM-CIC Epargne Salariale, the employee savings business center for CIC and Crédit Mutuel, had €6,153 million in managed savings (+9.2%), 62,484 corporate customers (+7%) and 1,402,486 employees with savings under management.

The growth in assets under management was largely due to increased valuations of equity and bond company mutual funds (FCPE), inflows for money market FCPEs and the growth in the customer base achieved over the past few years. As a result CM-CIC ES moved up from fifth to fourth place in the rankings of employee savings managers as of June 30, 2012.

Sales activity was down compared with 2011. The volume of new business suffered from the absence of any significant incoming transfers in the large corporates segment, and the number of new contracts sold fell by 15.3% to 12,600. The economic, financial and tax environment, particularly the increase in the corporate contribution (*forfait social*), also favored withdrawals, which were up by 8.3% and weighed on contributions, which were down by 7.8%.

This past year saw significant capital expenditure on information technology aimed at enhancing services to companies and savers.

Other

Crédit Mutuel-CIC Home Loan SFH

Last year, in a market that was particularly tight at the beginning of the year before gradually benefiting from the measures undertaken by the ECB (the second LTRO in February and the OMT in July), Crédit Mutuel-CIC Home Loan SFH accounted for 26% of the contribution to CM11-CIC Group’s medium- and long-term refinancing.

Two public issues were carried out:
– €1,250 million over 12 years in January in a challenging market environment and without support from the ECB,
– $1,000 million over five years in November through a Rule 144A private placement 70% of which was sold to U.S. investors.

I.3.2.2 – Insurance, the Group’s second business line

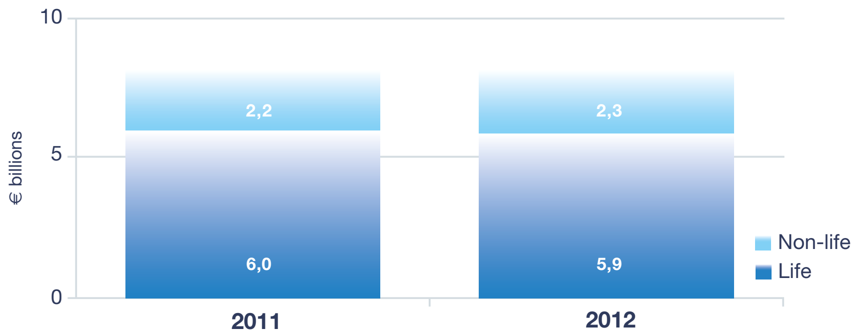
Crédit Mutuel created and developed “bankinsurance” starting in 1971. This longstanding experience has enabled the activity to be fully integrated within the Group at both the sales and technical levels. The insurance activity is performed by subsidiaries of the holding company Groupe des Assurances du Crédit Mutuel (GACM) – in particular ACM Vie SA, Serenis Vie, ACM IARD, Serenis Assurances, Partners in Belgium, ACM Re and ICM Life in Luxembourg.

In 2012, GACM strengthened its international presence with the acquisition of the Spanish company Agrupacio Mutua, opening up new growth potential in Spain and enabling our distribution networks and partners in that country – Targobank Spain and RACC Seguros – to offer a complete line of insurance products. Through this new subsidiary, GACM is strengthening its expertise in the health insurance segment and is able to prepare the fundamental changes related to supplementary health coverage, all while maintaining the same professionalism and innovation for which it is known.

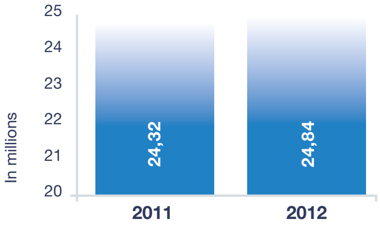
2012 was marked by ongoing economic uncertainty. Despite this environment, GACM successfully maintained its positions and continued to develop its activity in France and abroad.

In terms of sales, the drop in the savings rate and raising of the ceiling on savings accounts negatively affected life insurance and annuity products, thereby limiting the gains in consolidated insurance revenues to 0.7% (€8,2 billion) in a market that was down 4% overall. Life insurance and annuity product premium income fell by 2%, but the net intake remained positive and contributed to the 3.7% growth in insurance outstandings.

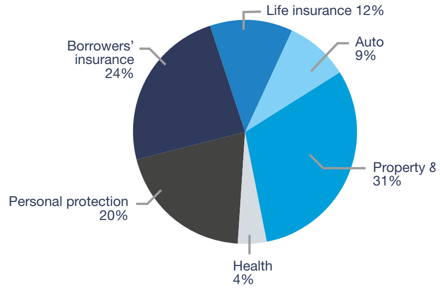
Analysis of GACM revenues



Number of insurance policies



Policies by segment



With revenue growth of over 5.2%, the risk insurance segment continues to represent a growth area. The auto and homeowners' insurance segments are significantly outperforming the overall market, with respective growth rates of 7.7% and 8.8%. Personal risk insurance revenues rose by 3.3%, driven by the personal protection and borrowers' insurance segments.

Overall, consolidated insurance revenues totaled €8.23 billion, up from €8.16 billion in 2011. GACM insured near of 7.9 million persons and had 24.8 million insurance contracts outstanding in 2012, compared with respectively 7.7 million and 24.3 million the previous year.

I.3.2.3 – Corporate banking

Corporate banking includes the financing of large corporates and institutional clients, value-added financing (project and asset financing, export financing, etc.), international activities and financing carried out by foreign branches.

It manages €13 billion in credits (-15.8%) and €5.6 billion in deposits (+25.9%).

I.3.2.3.1 – Large accounts: corporates and institutional investors

Following the period of very limited access to bank liquidity in late 2011, conditions gradually eased in the first half of 2012. In this environment, demand from corporates for bank financing nevertheless contracted as a result of their net cash surpluses and ongoing and deliberate shift away from bank financing in favor of a rapidly expanding bond market.

The Group's close relations with clients enabled it to play an active role in many issues. Meanwhile, the Group continued its policy of supporting its clients, as evidenced by the growing number of bilateral credits negotiated in 2012 at the expense of syndicated financing, which fell sharply.

Its sound financial position enabled a renewed increase (more than €5.7 billion) in overall deposits from large corporates and institutional investors.

The sales activity also continued to focus on the development of cross-functional expertise, which was illustrated by the creation of the PERCO retirement savings plan, the winning of retirement bonus management contracts in the payroll engineering area and Cofidis' launch of mobile telephone financing for some clients.

The Group continued its expansion into means of payment. It won a growing number of tenders by large clients, notably institutions, as they adopt means of payment. It is also developing an increasingly sophisticated line of technological products, which are enabling innovative and/or European-scale electronic banking solutions.

I.3.2.3.2 – Specialized financing

Results were negatively affected by the termination of new U.S. dollar financings at end-2011 and the first quarter of 2012. Business volume firmed up significantly in the second half, although it was unable to overcome these earlier effects.

Acquisition financing

CM-CIC Group supports its clients in their company transfers, acquisitions and growth plans by providing its expertise and know-how in the structuring of appropriate financing for each type of transaction.

In terms of revenues, the first-half performance was satisfactory but was followed by deterioration in the second half. Close attention was paid to the risk/return ratio on new business transactions. The Group sought to maintain a balanced position for the various types of transactions (corporate acquisitions, transactions with a financial sponsor, family asset and wealth transfers). The staff carefully and effectively managed syndication risks.

As for the portfolio, the deterioration of the environment impacted the operating performance of the counterparties, notably in the second half. As a result, net additions to loan loss provisions increased but remained at acceptable levels.

Asset financing

Last year saw declining business volume across all traditional business segments, mainly as a result of the difficulties in the maritime transportation sector and limited access to U.S. dollar liquidity in the first half. The Group nevertheless continued to support the financing needs of its clients. The decline in profit margins with the highest-rated counterparties continued, despite the lessening interbank competition as a result of the withdrawal or substantial curtailment in activity by historical players (notably European) from these markets. Structured financing transactions with preferred tax treatment, in particular with China and Turkey, remained a priority and made a significant contribution to commission income.

New York and Singapore continued their growth in the areas targeted for growth. Their contribution again represented a major portion of total production, which is evenly spread between the foreign offices and Paris.

Project financing

In 2012, the market was affected by the scarcity of non-euro resources and higher long-term liquidity costs on the one hand and the slowdown in demand from certain regions on the other. The downturn in business experienced by some European teams on their local markets was quickly offset by other players, and business volume ended up at a satisfactory level.

In this environment, the project financing team maintained its presence among the Group's large corporate clients.

International activities and foreign branches

The main axis of CM-CIC Group's strategy abroad consists of supporting clients with their international development by offering a diversified line of products and services adapted to each company's needs.

Through CIC Développement International, CM-CIC Aidexport and the CIC branches located in London, New York, Singapore, Hong Kong and Sydney, CM-CIC Group has the resources to achieve this goal.

Support for clients doing business in other countries is also provided through strategic partnerships: in China with Bank of East Asia; in the Maghreb region with Banque Marocaine du Commerce Extérieur and Banque de Tunisie; and in Spain with Targobank and Banco Popular.

I.3.2.4 – Capital markets activities

BFCM and CIC have consolidated their capital markets activities within the same organisation, CM-CIC Marchés, which carries out the CM11-CIC Group refinancing and commercial and proprietary trading activities from offices in Paris and Strasbourg, and through branches in New York, London, Frankfurt and Singapore.

These transactions are recognized on two balance sheets:

– BFCM for the refinancing business,
– CIC for the commercial and proprietary trading activities in fixed income products equities and credits.

The capital markets activities also include a stock market intermediation activity performed by CM-CIC Securities.

I.3.2.4.1 – Refinancing

In 2012, the Group's refinancing benefited from a generally calmer market environment, albeit marked by two distinct periods. The first part of the year carried over the 2011 trend, namely a challenging environment and the lingering effects of the serious European sovereign debt and banking crisis (need for second round of LTRO in February). Then political developments and additional measures (OMT) by the European Central Bank over the summer rekindled investor confidence, as the euro zone's long-term viability appears more assured.

Thanks to its largely customer-focused strategy (retail banking and insurance) and solid fundamentals, CM11-CIC maintained its strong ratings at the international level, thereby ensuring particularly favorable relations with lenders throughout the year.

The reduction in market debt, notably the continued improvement in the loan-to-deposit ratio, also led to a decline in medium- and long-term funding needs from third-party investors (€11.2 billion in 2012, compared with €18.2 billion in 2011).

The efforts to diversify medium- and long-term funding continued:

– establishment of U.S. Rule 144A documentation for SFH's private placement aimed at U.S. investors and leading to an initial issuance at year-end;
– additional offerings in Japan (Samurai and Uridashi) for a total of JPY 37 billion at two-, three- and five-year maturities;
– a USD 435 million CLO offering to refinance a portion of the acquisition financing of the New York branch;
– communications initiatives aimed at international investors based on the initial schedule.

In terms of overall steering, short-term financing (net) represented only 30% of the total market financing raised as of December 31, 2012, down from 37% the previous year. The Group has thereby substantially reduced its dependency on the money market and could withstand a rolling 12-month shutdown of this market thanks to its holdings of marketable liquid assets eligible for refinancing with the ECB.

The composition and calibration of this reserve are monitored very closely and a specific market plan was implemented in order to comply with the Basel III future liquidity ratio requirements in a timely manner.

I.3.2.4.2 – Commercial trading

In France, the sales teams are based in Paris and the large regional cities. They offer network clients and large corporates risk hedging solutions (interest rate, currency, commodities), refinancing (notably commercial paper) and traditional and structured placements. In this latter area, the commercial trading business includes a unique and high-performance line of investment products, which are derived directly from the business line's expertise in "fixed-income, equity and credit investments." These activities recorded satisfactory growth last year.

I.3.2.4.3 – Fixed income – equity – credit investments

The teams strive to enhance the Group's profitability through investments carried out within a framework of specific limits. The investments consist mainly of purchases and sales of financial securities purchased with the intent of being held for the long term, as well as transactions involving financial instruments related to these securities.

In 2012, economic markets trended as follows:

– a start of the year marked by tension on credit spreads, and in particular regarding sovereign debt,
– a second half of favorable economic policies at the European level, with confirmed support to the Spanish banking system,
– abundant liquidity throughout the year.

In this environment, positions were managed conservatively. Capital markets results were up on the previous year, both in France and New York. Returns on alternative management products offered to clients were satisfactory. For example, the return on the Stork alternatively-managed fund, the main investment fund, topped 15% and overall outstandings increased slightly.

I.3.2.4.4 – Stock market intermediation

CM-CIC Securities, a trader, clearer and account depository/custodian, covers the needs of institutional investors, private investment firms and companies.

As a member of ESN LLP, a multi-local network comprising nine intermediaries present in 11 European countries (Germany, Great Britain, the Netherlands, Belgium, Finland, Italy, Spain, Portugal, Greece, Cyprus and France) and the majority shareholder of ESN North America (United States, Canada), it can trade on behalf of its clients in all European and North American equity markets as well as in numerous emerging markets.

CM-CIC Securities has 30 analysts and 31 strategists based in France, a sales force of 30 people in Paris and Lyon, four in London and nine in New York (ESN North America). It also has a sales force of five people for index derivatives, equities and agricultural commodities (Préviris coverage offered to farmers for their wheat, canola and corn harvests) and nine sales staff and traders for traditional and convertible bonds. The company also offers high-quality research on U.S. and Canadian equities and on commodities.

In 2012, CM-CIC Securities organized more than 300 company and analyst presentations (road shows) and seminars in France and abroad.

As an account depository/custodian, CM-CIC Securities serves 114 asset management companies and administers 27,715 individual accounts and 288 mutual funds, a total of €16.4 billion in assets. The investment firm welcomed five new asset management companies, which recognize the expertise of its staff, the quality of its account-keeping ERP and CM11-CIC's sound financial position.

Through its CM-CIC Corporate department, CM-CIC Securities is the business center for the Group's financial transactions business. Partnership agreements with all ESN members have expanded its "stock market transaction" and "mergers/acquisition" activities to the rest of Europe. In 2012, it participated in 25 bond offerings, including 17 as bookrunner. The team also contributed to the surge in private bond investments, performed an initial public offering and capital increases and organized stock market de-listings.

Lastly, the department also provides issuer services (financial communications, liquidity agreements and stock buybacks, financial secretariat and securities service).

I.3.2.5 – Private banking

The private banking segment develops know-how in financial and wealth management, which is offered to the families of business owners and private investors, and includes companies focusing in this area.

These companies operate in France through CIC-Banque Transatlantique and Dubly-Douilhet SA as well as abroad through the subsidiaries Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium, CIC – Banque Pasche and the CIC Singapore branch.

Overall, this business line manages deposits of €15.8 billion (+7.8%) and loans of €7.5 billion, thereby generating surplus capital of €8.2 billion made available to CM11-CIC Group. Savings under management and held in custody total €81.7 billion.

Banque Transatlantique Group

Assets under management increased by a robust 62% to €17.1 billion in 2012. This performance was achieved thanks to the dynamic sales performance of the staff and the successful completion of major transactions.

Dubly-Douilhet

Dubly-Douilhet is an investment firm specializing in discretionary portfolio management for high-net-worth clients in northern and eastern France.

In 2012, its investment products successfully withstood the crisis and interest income improved.

In 2013, Dubly Douilhet will be integrated into the CM-CIC Group's IT platform and will then become an AMF-certified management company, delegating the account-keeping/custody function to CIC Banque Transatlantique and the mutual fund custodian function to BFCM.

Banque CIC Suisse

This entity is both a private and commercial bank that is always able to provide customized service and offer clients an extensive line of products and services (extended in 2012 with the addition of leasing). Last year it increased its customer base.

Banque de Luxembourg

In a spirit of continuity and despite the challenging economic environment, Banque de Luxembourg successfully developed its activities in private banking, asset management and services to investment and fund managers. The bank continued to strengthen its positioning in Luxembourg and neighboring countries, in particular through its two offices in Belgium. At end-2012, it announced the acquisition of the private banking activity of Lloyds TSB's Luxembourg branch.

CIC – Banque Pasche

The bank serves clients on all continents with a line of products and services built around the open architecture principle.

CIC Singapore and CICIS Hong Kong branch

Since 2002, CIC has exercised its Asian private banking business from Hong Kong and Singapore, financial centers that have become market leaders in this industry.

The first eight months of 2012 were marked by satisfactory activity, which led to renewed investor interest, notably in the bond markets. However, the return of liquidity and spread easing caused a freeze on business toward year-end. Overall, managed assets increased by 17%.

I.3.2.6 – Private equity

Private equity is a key pillar of our commercial strategy, enabling us to support efforts to bolster shareholders' equity on behalf of corporate clients of the Crédit Mutuel and CIC networks over medium- and long-term periods (seven to eight years). This business is performed through the CM-CIC Capital Finance division, which has regional offices in Lyon, Nantes, Lille, Bordeaux and Strasbourg, ensuring close ties to our clients. As of December 31, 2012, the portfolio totaled 497 equity investments in companies and a few investment funds.

Despite the sluggish economy, notably starting in the summer, and an environment poorly suited to value creation in companies, the division invested nearly €200 million of its own funds in 118 projects last year. As of December 31, 2012, total investment volume stood at €1,650 million, of which 83% in unlisted securities.

I.3.2.7 – Logistics

The "Logistics" division includes purely logistical entities: intermediary holding companies, operating properties integrated within specific companies, the group IT companies, EI Telecom, Euro protection Surveillance and the press division.

EI Telecom (EIT)

EIT operate generated in an extremely fierce competitive environment following the arrival at the beginning of the year of the fourth operator, Free Mobile, which increased the churn rate among Free's predecessors and led to a significant decline in ARPU (Average Revenue Per User). In this context, EIT not only retained but slightly expanded its active customer base with over 1.1 million of subscribers.

In parallel to this, EIT built and implemented a 'full MVNO' technical architecture in 2012. This architecture ensures the infrastructure operator's technical and marketing independence in the future and its stronger bargaining power among the various operators from which EIT buys its traffic.

Euro Protection Surveillance (EPS)

EPS continues to expand in 2012 and has more than 283,000 subscribers giving EPS a market share of 31% (Source: Atlas de la sécurité 2012 / Internal data).

I.4 – History of CM11-CIC group and BFCM group

I.4.1 – Crédit Mutuel's origins

At the end of the 19th century, the farming communities in Germany's Rhineland region were impoverished as a result of usury.

Frédéric-Guillaume Raiffeisen (1818-1888) then developed a new concept to combat poverty. The idea was to arrange loans to finance the resources needed for farming (seeds, livestock, etc.), using the savings and responsibility of all villagers: the stock-owning members. Interest was paid on the savings collected. The foundations of Crédit Mutuel had been laid:

– loans were only granted to stock-owning members,
– limited (originally unlimited) joint and several liability of stock-owning members,
– a democratic organization: one person one vote,
– free association,
– no remuneration for directors,
– limited geographic areas,
– no pay-out of financial surpluses,
– indivisible reserves.

Such was the foundation upon which Crédit Mutuel was built and that continues to underpin the company to this day.

I.4.2 – Key dates

1882 : Creation of the first Caisse de Crédit Mutuel at Wantzenau.

1885 : Creation of the Basse-Alsace and Haute-Alsace federations.

1895 : Opening in Strasbourg of a branch of Caisse Centrale de Neuwied.

1897 : Creation of the Lorraine federation.

1905 : Creation of the Alsace-Lorraine federation.

1919 : Foundation of Banque Fédérative du Crédit Mutuel.

1958 : Crédit Mutuel is granted legal status at national level.
The Alsace-Lorraine federation becomes the Fédération du Crédit Mutuel d'Alsace et de Lorraine. Banque Mosellane becomes Banque Centrale des Caisses de Lorraine. In 1966, it changed its name to Banque du Crédit Mutuel Lorrain (BCML).

1962 : Creation of Centre Mécanographique du Crédit Mutuel, the predecessor of GTOCM (*Groupement Technique des Organismes du Crédit Mutuel*).

1971 : Creation of Assurances du Crédit Mutuel. Opening of Bischenberg training center.

1972 : Expansion into Franche-Comté, the group taking on the name of Fédération du Crédit Mutuel d'Alsace-Lorraine et de Franche-Comté.

1992 : Restructuring of head office entities:

- Merger of former Banque Fédérative du Crédit Mutuel (BFCM) and Expansion Rurale et Urbaine (ERU) to create Caisse Fédérale Centre Est Europe.
- Transfers of the former BFCM's commercial banking activity to Banque de l'Economie Crédit Mutuel (BECM), the former BFCM's holding company activity to Banque du Crédit Mutuel Lorrain (BCML), and BCML's commercial banking activity to BECM.
- Change in BCML's company name to BFCM.

Crédit Mutuel Centre Est Europe (CMCEE) is formed through the merger of two federations, Alsace-Lorraine et de Franche-Comté and Centre-Est (Bourgogne-Champagne).

1993 : Partnership between CMCEE and Crédit Mutuel du Sud Est (CMSE).

1998 : BFCM acquires 67% of CIC's share capital for €2 billion in consideration.
La Banque de l'Economie Crédit Mutuel was renamed Banque de l'Economie du Commerce et de la Monétique (BECM).

2001 : BFCM acquires the remaining 23% stake in CIC still owned by Groupama.

2002 : Partnership between CMCEE and CMSE with Crédit Mutuel Île-de-France (CMIDF).
Partnerships with Banca Popolare di Milano through CIC (banking and insurance, payments processing, equity interests, etc.).

2004 : The Chambre Syndicale enlarges its field of action, to take in the three federations.
The ACM begin to distribute vehicle insurance contracts through the Sa Nostra network in the Balearic Islands.
In partnership with Banque de Tunisie, which is 20%-owned by CIC, Euro Information sets up two subsidiaries in Tunisia specializing in information systems development (IID) and outgoing call management (Direct Phone Services).
CIC acquires a 10% interest in Banque Marocaine du Commerce Extérieur (BMCE), leading to cooperation in the distribution of financial products, the delivery of banking and insurance services, real estate transactions, consumer credit and leasing contracts.

2006 : Fédération du Crédit Mutuel Savoie Mont-Blanc joins the interfederal Caisse, bringing the number of member federations up to four.

2007 : On March 14, CIC Private Banking-Banque Pasche acquired Swissfirst Private Banking based in Zurich, with retroactive effect to January 1, 2007.
In April, BFCM acquired a 100% interest in Groupe Républicain Lorrain by buying up the shares held in various Group companies for €73 million.

On June 15, BFCM announced the creation of its subsidiary CM-CIC Covered Bonds, which launched a €15 billion EMTN ("Euro Medium Term Notes") program.

2008 : CIC Group increased its equity interest in Banque Marocaine du Commerce Extérieur from 10% to 15%.
On June 5, BFCM acquired 100% of the capital of the French subsidiary of the Banco Popular Español Group.
On June 27, BFCM acquired a majority interest in Est Républicain through France Est.
On November 18, BFCM signed an agreement with a view to acquiring a controlling interest in Cofidis Participations.
On December 5, BFCM acquired a 100% interest in Citibank Deutschland.

2009 : The Fédération Midi-Atlantique joined the Caisse Interfédérale, raising the number of member federations to five.
On March 23, the BFCM Group and 3 Suisses International ("3SI") announced the definitive completion of an acquisition of a controlling interest in Cofidis Participations. This transaction was carried out by the acquisition of 51% of Cofidis Participations by a holding company jointly owned by BFCM and 3SI and 67%-controlled by BFCM. Under the terms of the agreement, BFCM may increase its equity interest in Cofidis Participations to 67% of the share capital and voting rights by 2016, at the initiative of either party.

2010 : The Group strengthened its branch network in France and neighboring countries (in particular Spain through the creation of a branch network with Banco Popular), thereby expanding its activity and reach.
On May 12, Caisse Fédérale du Crédit Mutuel Centre Est Europe was renamed Caisse Fédérale de Crédit Mutuel, thereby marking the expansion of its scope of action through existing and future partnerships.

2011 : The Crédit Mutuel Loire-Atlantique et Centre Ouest, Crédit Mutuel du Centre, Crédit Mutuel Normandie, Crédit Mutuel Dauphiné-Vivarais and Crédit Mutuel Méditerranéen federations joined Caisse Fédérale de Crédit Mutuel, bringing the number of member federations up to 10.
The Group strengthened its ties to mass market retailers. Backed by its powerful technological capabilities, it entered into a partnership with Casino to market financial products. Banque Casino is therefore jointly held 50-50 by the respective companies.

2012 : Fédération du Crédit Mutuel Anjou joined Caisse Fédérale du Crédit Mutuel, bringing the number of member federations to 11.
On May 10, Banque de l'Economie du Commerce et de la Monétique (BECM) was renamed Banque Européenne du Crédit Mutuel.

II. CORPORATE GOVERNANCE OF CM11-CIC GROUP AND OF BFCM

II.1 – BFCM Board of Directors

II.1.1 – Membership of the Board of Directors

The legal provisions related to the composition of the Board of Directors and terms of office of its members are presented in below.

The May 10, 2012 Ordinary General Meeting of Shareholders renewed the terms of office of the following directors: Jean-Louis Boisson, Gérard Bontoux, Maurice Corgini, Jacques Humbert, Albert Peccoux, Alain Tetedoie and that of Caisse Fédérale de Maine-Anjou, Basse-Normandie represented by Daniel Leroyer.

The various Boards also appointed as non-voting directors Gérard Diacquenod (representing Crédit Mutuel Savoie-Mont Blanc) and Jean-Louis Bazille and Bernard Flouriot (representing Crédit Mutuel Anjou). The appointments of the Crédit Mutuel Anjou representatives are in keeping with the partnership agreement established with CM10 as of January 1, 2012 and that subsequently constitutes CM11.

The May 7, 2013 Ordinary General Meeting of Shareholders renewed the terms of office of the following directors: Gérard Cormorèche, Etienne Grad, Michel Lucas and Jean Paul Martin.

Summary table of the membership of the Board of Directors

Director's name	Position	Date of appointment	Expiration date	Representative
Michel Lucas	Chairman and CEO	09/29/1992	12/31/2015	
Jacques Humbert	Director	12/13/2002	12/31/2014	
Jean-Louis Boisson	Director	12/17/1999	12/31/2014	
Gérard Bontoux	Director	05/06/2009	12/31/2014	
Maurice Corgini	Director	06/22/1995	12/31/2014	
Gérard Cormorèche	Director	05/16/2001	12/31/2015	
Roger Dangel	Director	12/13/2002	12/31/2013	
François Duret	Director	05/11/2011	12/31/2013	
Pierre Filliger	Director	05/11/2011	12/31/2013	
Jean-Louis Girodot	Director	05/22/2002	12/31/2013	
Etienne Grad	Director	12/17/2010	12/31/2015	
Jean-Paul Martin	Director	12/13/2002	12/31/2015	
Gérard Oliger	Director	12/15/2006	12/31/2013	
Albert Peccoux	Director	05/03/2006	12/31/2014	
Alain Tetedoie	Director	10/27/2006	12/31/2014	
Eckart Thomä	Director	05/11/2011	12/31/2013	
Michel Vieux	Director	05/11/2011	12/31/2013	
Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie	Director	07/04/2008	12/31/2014	Daniel Leroyer

Non-voting directors:

René Barthalay, Jean-Louis Bazille, Yves Blanc, Michel Bokarius, Alain Demare, Gérard Diacquenod, Marie-Hélène Dumont, Bernard Flouriot, Monique Groc, Robert Laval, Fernand Lutz, Jacques Pages, Daniel Schlesinger, Alain Tessier.

II.1.2 – Information regarding the members of the Board of Directors and Executive Management

II.1.2.1 – Board of Directors

- **Michel Lucas**, Chairman and Chief Executive Officer

Born May 4, 1939 in Lorient (56)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman and Chief Executive Officer: Carmen Holding Investissement, Crédit Industriel et Commercial.
– Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel, Fédération du Crédit Mutuel Centre Est Europe, Caisse Fédérale de Crédit Mutuel, Groupe des Assurances du Crédit Mutuel, Assurances du Crédit Mutuel Vie SA, Assurances du Crédit Mutuel IARD SA, Assurances du Crédit Mutuel Vie SFM, Banque du Crédit Mutuel Île-de-France, International Information Developments, Direct Phone Services, Est Républicain, Dernières Nouvelles d'Alsace, Liberté de l'Est.

– Chairman: Crédit Mutuel Cartes de paiement, Europay France.
– Chairman of the Supervisory Board: Banque Européenne du Crédit Mutuel, Euro Information Production (GIE).
– Vice-Chairman of the Supervisory Board: CIC Iberbanco, Banque de Luxembourg (Luxembourg).
– Member of the Board of Directors: Assurances du Crédit Mutuel du Nord IARD, Astree (Tunis), Assurances Générales des Caisses Desjardins (Quebec), Banque de Tunisie (Tunis), Banque Marocaine du Commerce Extérieur, CIC Banque Transatlantique, Banque Transatlantique Belgium (Brussels), Caisse de Crédit Mutuel "Grand Cronenbourg", Caisse Régionale du Crédit Mutuel Midi-Atlantique, CIC Lyonnaise de Banque, Dauphiné Libéré, Safran, Est Bourgogne Média, Groupe Progrès SA.
– Member of the Supervisory Board: CM-CIC Asset Management, Manufacture Beauvillé, CM-CIC Services (GIE), CM-CIC Capital Finance.
– Member of the Management Committee: Euro Information, Euro Information Développement, EBRA.
– Permanent representative of BFCM on the Management Board of Sofédis.

▪ **Jacques Humbert**, Vice-Chairman of the Board of Directors
Born July 7, 1942 in Patay (45)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman: Union des Caisses de Crédit Mutuel du District de Mulhouse.
– Member of the Board of Directors: Caisse de Crédit Mutuel la Doller, Fédération du Crédit Mutuel Centre Est Europe, Caisse Fédérale de Crédit Mutuel, Société Française d'Edition de Journaux et d'Imprimés Commerciaux "l'Alsace".
– Permanent representative of ADEPI on the Board of Directors of GACM, of BFCM on the Board of Directors of Crédit Industriel et Commercial.

▪ **Jean-Louis Boisson**, Member of the Board of Directors
Born August 2, 1948 in Bourg en Bresse (01)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman: Union des Caisses de Crédit Mutuel du District de Bourgogne Champagne.
– Chairman of the Board of Directors: Caisse de Crédit Mutuel de Montbard Venarey.
– Vice-Chairman of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.
– Vice-Chairman of the Supervisory Board: Banque Européenne du Crédit Mutuel.
– Member of the Board of Directors: Confédération Nationale du Crédit Mutuel, Caisse Fédérale de Crédit Mutuel, Targobank Spain, Est Bourgogne Média.
– Member of the Supervisory Board: Euro Information Production.

▪ **Gérard Bontoux**, Member of the Board of Directors
Born March 7, 1950 in Toulouse (31)
Professional address:
Crédit Mutuel Midi-Atlantique
6, rue de la Tuilerie - 31112 Balma Cedex

Other functions

– Chairman: Fédération du Crédit Mutuel Midi-Atlantique, Caisse Régionale du Crédit Mutuel Midi-Atlantique.
– Member of the Board of Directors: Confédération Nationale du Crédit Mutuel, Caisse Fédérale de Crédit Mutuel, Caisse de Crédit Mutuel Toulouse Saint-Cyprien.
– Member of the Supervisory Board: Banque Européenne du Crédit Mutuel.
– Permanent representative of CRCM Midi-Atlantique to the Board of Directors of GACM, of Marsovalor to the Board of Directors of CIC Sud-Ouest.

▪ **Maurice Corgini**, Member of the Board of Directors
Born September 27, 1942 in Baume-les-Dames (25)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman: Union des Caisses de Crédit Mutuel du district de Besançon.
– Chairman of the Board of Directors: Caisse de Crédit Mutuel Baume-Valdahon-Rougemont.
– Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe, Caisse Agricole Crédit Mutuel, Crédit Industriel et Commercial.
– Co-Managing Partner: Cogithommes Franche-Comté.

■ **Gérard Cormorèche**, Member of the Board of Directors
Born July 3, 1957 in Lyon (69)
Professional address:
Crédit Mutuel du Sud-Est
8-10, rue Rhin-et-Danube - 69266 Lyon Cedex 09

Other functions

– Chairman: Fédération du Crédit Mutuel du Sud-Est, Caisse de Crédit Mutuel du Sud-Est, Cecamuse.
– Chairman of the Board of Directors: Caisse de Crédit Mutuel Neuville-sur-Saône, Caisse Agricole Crédit Mutuel.
– Vice-Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel, MTRL.
– Member of the Board of Directors: Caisse Fédérale de Crédit Mutuel, Société des Agriculteurs de France, Cautionnement Mutuel de l'Habitat (CMH).
– Vice-Chairman of the Supervisory Board: CMAR (Crédit Mutuel Agricole et Rural).
– Managing Partner: Scea Cormoreche Jean-Gérard, Sàrl Cormoreche.
– Permanent representative of CCM Sud-Est on the Board of Directors of ACM Vie SFM.

■ **Roger Danguel**, Member of the Board of Directors
Born August 3, 1946 in Sélestat (67)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman: Union des Caisses de Crédit Mutuel du district de Sélestat.
– Chairman of the Board of Directors: Caisse de Crédit Mutuel de Sélestat-Scherwiller.
– Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe, Confédération Nationale du Crédit Mutuel.
– Member of the Supervisory Board: Banque Européenne du Crédit Mutuel, Editions Coprur.
– Permanent representative of Banque Fédérative du Crédit Mutuel on the Board of Directors of Caisse Centrale du Crédit Mutuel.

■ **François Duret**, Member of the Board of Directors
Born March 18, 1946 in Chartres (28)
Professional address:
Fédération du Crédit Mutuel du Centre
105, faubourg Madeleine - 45920 Orléans Cedex 9

Other functions

– Chairman: Fédération Régionale des Caisses de Crédit Mutuel du Centre, Caisse Régionale de Crédit Mutuel du Centre, Caisse de Crédit Mutuel Agricole du Centre, Caisse de Crédit Mutuel d'Auneau (Eure-et-Loir), Soderec.
– Vice-Chairman: Syndicat Agricole du Dunois.
– Member of the Board of Directors: Caisse Fédérale de Crédit Mutuel, CICM.
– Vice-Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel.
– Member of the Supervisory Board: Banque Européenne du Crédit Mutuel.
– Permanent representative: of Caisse Régionale du Crédit Mutuel du Centre on the Board of Directors of ACM Vie SFM and of Caisse de Crédit Mutuel Agricole, Caisse de Crédit Mutuel Agricole du Centre on the Board of Directors of Fédération du Crédit Mutuel Agricole et Rural, of Caisse Régionale du CMC as a member of the Supervisory Board of Soderec.
– Managing Partner: Earl La Mare de Sermonville (farm).
– Elected representative: Eure-et-Loir Chamber of Agriculture.

■ **Pierre Filliger**, Member of the Board of Directors
Born November 27, 1943 in Rixheim (68)
Professional address:
Fédération du Crédit Mutuel Méditerranéen
494, avenue du Prado BP 115 - 13267 Marseille Cedex 08

Other functions

– Chairman: Fédération du Crédit Mutuel Méditerranéen, Caisse Régionale du Crédit Mutuel Méditerranéen, the Camefi local Caisse, the Marseille Prado local Caisse, the Crédit Mutuel Méditerranéen local Caisses being created.
– Member of the Board of Directors: Confédération Nationale du Crédit Mutuel, Caisse Fédérale de Crédit Mutuel.
– Permanent representative: of Crédit Mutuel Méditerranéen to Assurances du Crédit Mutuel (Vie SFM).

■ **Jean-Louis Girodot**, Member of the Board of Directors
Born February 10, 1944 in Saintes (17)
Professional address:
Crédit Mutuel Ile-de-France
18, rue de la Rochefoucault - 75439 Paris Cedex 09

Other functions

– Chairman of the Board of Directors: Fédération des Caisses de Crédit Mutuel d'Ile-de-France, Caisse Régionale de Crédit Mutuel d'Ile-de-France, Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards, several Crédit Mutuel Caisses during their start-up phase.
– Chairman: Comité Régional pour l'Information Economique et Sociale (CRIES).
– Vice-Chairman: Chambre Régionale de l'Economie Sociale et Solidaire d'Ile-de-France (CRESS), AUDIENS, Coopérative d'Information et d'Edition Mutualiste (CIEM).
– General Secretary: Fédération Nationale de la Presse Spécialisée (FNPS), Syndicat de la Presse Magazine et Spécialisée.
– Member of the Office: Conseil Economique, Social et Environnemental de la Région Ile-de-France (CESER).
– Member of the Board of Directors: Confédération Nationale du Crédit Mutuel, Caisse Fédérale de Crédit Mutuel, AFDAS, Crédit Industriel et Commercial.
– Member of the Supervisory Board: Euro Information Production.
– Permanent Representative: of Caisse Régionale du Crédit Mutuel Ile-de-France on the Board of Directors of ACM Vie SFM, of FNPS on the Commission Paritaire des Publications et Agences de Presse.

▪ **Etienne Grad**, Member of the Board of Directors
Born December 26, 1952 in Illkirch Graffenstaden (67)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman: Union des Caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg – SAS GRAD Etienne Conseil et Développement.
– Chairman of the Board of Directors: Caisse de Crédit Mutuel Cours de l'Andlau.
– Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.
– Managing Partner: SCI Lemilion.

▪ **Daniel Leroyer**, Permanent representative of CFCM Maine-Anjou et Basse-Normandie, Member of the Board of Directors
Born April 15, 1951 in Saint-Siméon (61)
Professional address:
Caisse Fédérale du Crédit Mutuel Maine-Anjou et Basse-Normandie
43, boulevard Volnay - 53000 Laval

Other functions

– Chairman of the Board of Directors: Fédération du Crédit Mutuel de Maine-Anjou Basse Normandie, Caisse Fédérale du Crédit Mutuel Maine-Anjou Basse Normandie, Caisse Générale de Financement (CAGEFI), Créavenir (association), Caisse de Crédit Mutuel du Pays Fertois, Caisse de Crédit Mutuel Solidaire de Maine-Anjou Basse Normandie.
– Member of the Board of Directors: Confédération Nationale du Crédit Mutuel - SAS Assurances du Crédit Mutuel Maine-Anjou Basse Normandie – Crédit Industriel et Commercial – SAS Volney Bocage.
– Vice-Chairman of the Supervisory Board: Soderec.
– Member of the Executive Committee: Fondation du Crédit Mutuel.
– Permanent Representative: of Fédération du Crédit Mutuel Maine-Anjou, Basse-Normandie in his capacity as: - Member of the Board of Directors of Gie Cloe Services, Vice-Chairman of the Board of Directors of Centre International du Crédit Mutuel; of Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse Normandie on the Board of Directors: of SAS Volney Développement, of Assurances du Crédit Mutuel IARD SA.

Other functions exercised by Caisse Fédérale de Crédit Mutuel Maine-Anjou, Basse-Normandie

– Chairman of the Board of Directors: SAS Assurances du Crédit Mutuel Maine-Anjou, Normandie.
– Member of the Board of Directors: Caisse Centrale du Crédit Mutuel, Assurances du Crédit Mutuel IARD SA, Crédit Mutuel Paiements électroniques CMPE, CM-CIC Epargne salariale, CM-CIC Bail, SAS Océan Participations, Gie Cloe Services, Mayenne Logis Groupe CIL 53, Logis Familial Mayennais Groupe CIL 53, Groupe des Assurances du Crédit Mutuel, SAS Volney Développement, SAS Volney Bocage.
– Member of the Supervisory Board: Soderec, CM-CIC Asset Management.
– Member of the Management Committee: Euro Information SAS.
– Managing Partner: Sidel SNC.

▪ **Jean-Paul Martin**, Member of the Board of Directors
Born October 22, 1939 in Metz (57)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman: Union des Caisses de Crédit Mutuel du district de Metz.
– Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe, CME 57.
– Member of the Supervisory Board: Targo Deutschland GmbH, Targo Management AG, Targobank AG, CM Akquisitions GmbH.

- **Gérard Oliger**, Member of the Board of Directors
Born July 7, 1951 in Bitche (57)
Professional address:
Fédération du Crédit Mutuel Centre Est Europe
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman: Union des Caisses de Crédit Mutuel du district de Sarreguemines.
– Chairman of the Board of Directors: Caisse de Crédit Mutuel Emile Gentil (Volmunster).
– Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.

- **Albert Peccoux**, Member of the Board of Directors
Born November 2, 1939 in Saint-Martin-Bellevue (74)
Professional address:
Crédit Mutuel Savoie-Mont Blanc
96, avenue de Genève BP56 - 74054 Annecy Cedex

Other functions

– Chairman: Fédération du Crédit Mutuel Savoie-Mont Blanc, Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc.
– Member of the Board of Directors: Confédération Nationale du Crédit Mutuel, Caisse Fédérale de Crédit Mutuel, Caisse de Crédit Mutuel d'Annecy-les-Fins, Centre International du Crédit Mutuel.
– Permanent representative of CRCM Savoie-Mont Blanc on the Board of Directors of ACM Vie SFM.

- **Alain Tetedoie**, Member of the Board of Directors
Born May 16, 1964 in Loroux-Bottereau (44)
Professional address:
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest
46, rue du Port-Boyer BP 92636 - 44236 Nantes Cedex 3

Other functions

– Chairman: Fitega, Fiterra.
– Chief Executive Officer: Nanteurop.
– Chairman of the Board of Directors: Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest, Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest.
– Vice-Chairman of the Board of Directors: Caisse de Crédit Mutuel de Saint-Julien-de-Concelles.
– Member of the Board of Directors: Confédération Nationale du Crédit Mutuel, Caisse Fédérale de Crédit Mutuel.
– Chairman of the Supervisory Board: CM-CIC Services.
– Member of the Supervisory Board: Banque Européenne du Crédit Mutuel.
– Permanent Representative: of Banque Fédérative du Crédit Mutuel to Chairmanship of CM-CIC Immobilier, of Fédération du Crédit Mutuel LACO to the Chairmanship of Investlaco, of Caisse Régionale de Crédit Mutuel LACO on the Board of Directors of ACM Vie and Managing Board of SCI Champs de Mars 2015, of EFSA to the Board of Directors of Banque CIC-Ouest, of Ufigestion 2 to the Board of Directors of CM-CIC Bail.

- **Eckart Thomä**, Member of the Board of Directors
Born November 9, 1938 in Stuttgart (Germany)
Professional address:
Fédération du Crédit Mutuel de Normandie
17, rue du 11-Novembre - 14052 Caen Cedex

Other functions

– Chairman of the Board of Directors: Fédération du Crédit Mutuel de Normandie, Caisse Régionale de Crédit Mutuel de Normandie, Caisse de Crédit Mutuel de Caen Centre, Créavenir, Norfi.
– Chairman of the Supervisory Board: Targo Deutschland GmbH, Targo Management AG, Targobank AG, CM Acquisitions GmbH.
– Member of the Board of Directors: Caisse Fédérale de Crédit Mutuel, Confédération Nationale du Crédit Mutuel.
– Member of the Supervisory Board: Banque Européenne du Crédit Mutuel.
– Permanent Representative: of Caisse Régionale du Crédit Mutuel de Normandie on the Board of Directors of GACM, of Fédération du Crédit Mutuel de Normandie on the Board of Directors of GIE Cloé Services and on the Board of Directors of Centre International du Crédit Mutuel (CICM).

- **Michel Vieux**, Member of the Board of Directors
Born April 12, 1951 in Gap (05)
Professional address:
Fédération du Crédit Mutuel Dauphiné-Vivarais
130-132, avenue Victor Hugo - 26009 Valence Cedex

Other functions

– Chairman of the Board of Directors: Fédération du Crédit Mutuel Dauphinais-Vivarais.
– Vice-Chairman: "La Cascade" association.
– Member of the Supervisory Board: Banque Européenne du Crédit Mutuel.
– Member of the Board of Directors: Caisse Fédérale de Crédit Mutuel, Confédération Nationale du Crédit Mutuel.

II.1.2.2 – Executive Management

▪ **Alain Fradin**, Chief Operating Officer
Born May 16, 1947 in Alençon (61)
Professional address:
Banque Fédérative du Crédit Mutuel
34, rue du Wacken - 67000 Strasbourg

Other functions

– Chairman-Chief Executive Officer: CM-CIC Bail.
– Chairman: CIC Migrations.
– Chairman of the Board of Directors: Targobank Spain.
– Chairman of the Supervisory Board: CIC Iberbanco, Cofidis, Cofpart.
– Vice-Chairman of the Supervisory Board: Targobank Deutschland GmbH, Targobank AG, Targo Management AG, CM Akquisitions GmbH.
– Chief Executive Officer: Confédération Nationale du Crédit Mutuel, Caisse Centrale du Crédit Mutuel, Fédération du Crédit Mutuel Centre Est Europe, Caisse Fédérale de Crédit Mutuel.
– Chief Operating Officer: Crédit Industriel et Commercial.
– Member of the Board of Directors: Boréal, CM-CIC Titres, Groupe Sofémo, Banque du Crédit Mutuel Ile-de-France, Banco Popular Spain.
– Member of the Management Committee: Euro-Information, Bischenberg, El Telecom.
– Member of the Supervisory Board: CM-CIC Services, Eurafric Information.
– Permanent Representative: of CCCM on the Board of Directors of CM-CIC AM, of CIC on the Management Committee of Euro GDS, of CIC Participations on the Board of Directors of CIC Nord-Ouest and of CIC Ouest, of Groupe des Assurances du Crédit Mutuel on the Board of Directors of Sérénis Vie, of BFCM on the Board of Directors of Crédit Mutuel Cartes de Paiements, of CF de CM on the Board of Directors of Crédit Mutuel Paiements Electroniques, of FCMCEE on the Management Board of Sofédis.

II.1.2.3 – Remuneration of officers and directors

Guidelines

The Crédit Mutuel Group signed a framework agreement with the French government on various refinancing measures for credit institutions. In that context, it has made several commitments in the areas of its by-laws, remuneration and commitments for company officers and directors, which are in addition to legal and regulatory requirements. Decisions had been taken on this matter by BFCM's Board of Directors at its meeting on December 19, 2008 and by CIC's Supervisory Board at its meeting on February 26, 2009.

As a result of the changes to CIC's governance methods and to officers and directors of CIC and BFCM, the respective Board meetings of the two companies – May 11, 2011 and July 1, 2011 for BFCM and May 19, 2011 for CIC – defined new remuneration policies for these officers and the commitments made on their behalf.

This remuneration and the commitments were set by the deliberative bodies of BFCM and CIC based on proposals from the respective remuneration committees.

Directors who do not exercise management functions – in other words all directors with the exception of the Chief Executive Officer – do not receive attendance fees or remuneration of any kind.

Implementation

Officers and directors affected by the remuneration policies include the Chairman and Chief Executive Officer – who having exercised his pension rights since the end of 2010 – and the Chief Operating Officer.

The Chairman and Chief Executive Officer does not have an employment agreement, and the employment agreement of the Chief Operating Officer was suspended effective May 1, 2011.

Acting on the recommendation of the Remuneration Committee, the May 19, 2011 meeting of the CIC Board of Directors decided to make an annual payment of €550,000 to Michel Lucas as remuneration for his term of office as Chairman and Chief Executive Officer of CIC. The Board also voted to pay Michel Lucas in the event his term of office is terminated, with the amount of this payment set at one year's remuneration for his service as an officer and director of CIC. The termination payment is subject to the achievement of a performance objective, which is pegged to an increase in the Group's IFRS-compliant overall consolidated equity for the period from January 1, 2011 to the termination date. This agreement regarding the termination of employment was submitted to CIC's May 24, 2012 Annual General Meeting of Shareholders for approval, following a special report of the statutory auditors.

Acting on the recommendation of the Remuneration Committee, BFCM's Board of Directors meeting of July 1, 2011 decided to pay Michel Lucas the gross annual sum of €250,000 starting in 2011 as remuneration for his term of office as Chairman and Chief Executive Officer of BFCM, and to give him the use of a company car.

Acting on a recommendation of the Remuneration Committee, the BFCM Board of Directors meeting of May 11, 2011 decided to set the annual gross fixed remuneration of Alain Fradin at €800,000, as well as the use of a company car, benefits under the accidental death and disability plan and, where applicable, variable remuneration, with the amount of this variable remuneration to be determined by a decision of the Board of Directors following a recommendation of the Remuneration Committee. In his capacity as an employee, Alain Fradin is subject to the company supplementary pension rules of January 1, 2008. The Remuneration Committee therefore proposed to apply the pension rules to Alain Fradin's remuneration, in his capacity as Chief Operating Officer, under the same conditions as for all Group employees. The Board also decided to create a term of office termination indemnity for Alain Fradin equivalent to one year's gross salary, calculated on the basis of the 12-month average over the period prior to the termination of his term of office. The payment of this amount is subject to the achievement of a performance objective, which is pegged to an increase in the Group's IFRS-compliant overall consolidated equity for the period from January 1, 2011 to the termination date. With respect to this term of office, the above-mentioned payment does not come at the expense of the payment he would receive in his capacity as an employee pursuant in particular to the contractual provisions applicable within the Group. This agreement involving the term of office termination payment was submitted to BFCM's May 10, 2012 Annual General Meeting of Shareholders for approval, following the special report of the statutory auditors.

The remuneration received by the Group's officers and directors is presented in the tables below.

During the year, the Group's officers and directors also received the group accidental death and disability benefit and, in the case of the Chief Operating Officer, the Group's supplementary retirement benefit plan.

However, the Group's officers and directors did not receive any other specific benefits.

They did not receive any equity securities, warrants or options to purchase BFCM or CIC shares. In addition, they do not receive any attendance fees in consideration of their board terms of office, whether the boards are of Group companies or companies outside the Group but on whose board they sit as a result of their functions within the Group.

The Group's officers and directors may also hold assets or borrowings in the financial statements of the Group's banks on the same terms and conditions offered to all other employees. As of December 31, 2012, they did not have any borrowings of this type.

Remuneration paid to Group officers and directors from January 1 to December 31, 2012

2012 **Amount in €[1]**	**Origin**	**Fixed portion**	**Variable portion[2]**	**In-kind benefits[3]**	**Employer contributions for supplementary benefits**	**Total**
Michel Lucas	Crédit Mutuel	250,000		5,298		255,298
	CIC	550,000			529	550,529
Alain Fradin	Crédit Mutuel	800,000	0	4,346	8,184	812,530

2011 **Amount in €[1]**	**Origin**	**Fixed portion**	**Variable portion[2]**	**In-kind benefits[3]**	**Employer contributions for supplementary benefits**	**Total**
Michel Lucas	Crédit Mutuel	249,999		5,298		255,297
	CIC	550,000			514	550,514
Alain Fradin[4]	CIC	899,956	0	4,966	7,953	912,875

1. These amounts are the gross amounts paid out by the company corresponding to payments made during the year.
2. Any variable portion would be decided by the BFCM Remuneration Committee meeting following the General Meetings of Shareholders held to approve the previous year's financial statements.
The variable portion paid out in a given year therefore relates to the previous year.
3. Business vehicles exclusively.
4. 2011 fixed remuneration includes a balance of all accounts related to the suspension of the employment agreement.

In complement of the data above, note 36 of the consolidated financial statements of CM11-CIC group and note 37 of the consolidated financial statements of the BFCM group, appearing respectively on pages 145 and 262 of the present document, detail the relationships with the group's key management and communicate the global amount of the remuneration paid to group's key management.

II.1.2.4 – Independent directors

Although it is unlisted, BFCM is part of a decentralized Group whose directors are eligible to be members of the Board of Directors as a result of their own elected status.

The mechanism works as follows. Each Caisse of Crédit Mutuel elects the members of its Board of Directors at the respective General Meetings of Shareholders (which include all stock-owning members). From among these members, the Caisses elect their representative to the District, a body that jointly represents a group of Crédit Mutuel Caisses; the Chairman of the District becomes a full member of the Board of Directors of the federation, the policy body for a given group of Crédit Mutuel Caisses. This quality enables them to become a member of the Board of Directors of Caisse Fédérale de Crédit Mutuel and its subsidiary BFCM.

This bottom-up election method starting with the local Caisses gives the BFCM director a legitimacy and independence that is the equivalent of an independent director at a listed company.

Indeed, there are no financial ties or conflicts of interest between the voluntary board terms of office exercised at the Crédit Mutuel Caisses, the District and BFCM.

This legitimacy, which springs from internal elective methods, is renewed every four years with the District election.

Any time a director loses a board mandate as the Chairman of a District, the person's board term of office at BFCM also ends, even if it has not expired.

This mechanism applies to the 18 members of the BFCM Board of Directors.

II.1.2.5 – Conflicts of interest at the level of the administrative, management and supervisory bodies

To BFCM's knowledge, the members of the Board of Directors and the Chief Executive Officer have no potential conflicts of interest between their duties towards BFCM and their private interests.

II.2 – Report on the Board of Directors' operations and internal control procedures

The provisions of Article L 225-37 of the French Commercial Code specify that the Chairman of the Board of Directors must present a separate report – which is submitted along with the annual report – on the composition of the Board, the conditions under which it prepares and organizes its work and internal control and risk management procedures implemented by the company, as well as any limitations placed by the Board of Directors on the authority of the Chief Executive Officer.

II.2.1 – Preparation and organization of the work of the Board

II.2.1.1 – Composition of the Board

The Board of Directors of Banque Fédérative du Crédit Mutuel currently consists of 18 members appointed by the General Meetings of Shareholders for three years and 14 non-voting members also appointed for three years by the Board in accordance with article 20 of the company's by-laws.

The list of directors and a description of their functions exercised at other companies is presented in the appendix, in accordance with legal requirements.

The Board includes representatives from partner Crédit Mutuel Groups in the Caisse Fédérale de Crédit Mutuel organization: Anjou, Centre, Dauphiné-Vivarais, Ile-de-France, Loire-Atlantique et Centre-Ouest, Méditerranéen, Midi-Atlantique, Normandie, Savoie-Mont Blanc and Sud-Est.

Two employees have seats on the Board of Directors on behalf of the interfederal Works Council.

There are no attendance fees or stock options.

II.2.1.2 – Operation of the Board. Executive Management operating methods

Pursuant to the provisions of Article L 225-51-1 of the French Commercial Code, the Board chose a single-board governance system for executive management at its October 22, 2010 meeting.

Michel Lucas, the Chairman of the Board, also exercises the executive management function. In that capacity, he organizes and directs the work of the Board. He represents the company to third parties. In that context, he has the broadest authority to act on behalf of the company.

There are no internal rules formalizing the operating rules of the Board, which is therefore subject solely to legal provisions.

Individually, directors are required in their capacity as elected representatives to comply with the code of ethics and compliance rules applicable within the Group and uphold their duty to use discretion and maintain confidentiality on all matters related to the company's business purpose.

In 2012, the Board met four times. The average attendance rate was 80%.

Prior to each Board meeting, a comprehensive file on the agenda items is mailed to all directors, non-voting directors and Works Council representatives.

At each Board meeting, the managers responsible for activities involving one or more agenda items are invited to present them, offer comments or answer any questions.

The minutes of the Board meetings are presented to the directors for their approval.

All Board meetings represent an opportunity to review the results and outlook of our business activities.

The February 23, 2012 Board meeting focused on the review and approval of the financial statements as well as the preparations for the Ordinary and Extraordinary General Meetings of Shareholders held on May 10, 2012. The Board was informed of the February 20, 2012 Report of the Group Audit and Financial Statements Committee. Changes were made to the group of non-voting directors.

The Board also approved the framework memorandum on the variable remuneration policy for professionals performing a regulated activity, which includes the regulatory principles adapted to our Group.

As it does at each meeting, the Board reviewed the Group's financial activities performance indicators (refinancing, credits, proprietary trading).

The May 10, 2012 Board meeting focused on the renewal of the terms of office of the Vice-Chairman and the appointment of non-voting directors representing the Crédit Mutuel Anjou group.

The July 26, 2012 Board meeting focused on the closing of the parent company and consolidated interim financial statements as of June 30, 2012. The Board also took due note of the Audit and Financial Statements Committee report and the Report of the Risk Monitoring Committee. It authorized the related party agreements in connection with the Group's refinancing program.

The final meeting of the year was held on November 16, 2012. The Board was informed of the Group Risk Monitoring Committee's work of November 5, 2012. It also reviewed the 2012 budget trends and preparations for the 2013 budget.

All Board meetings addressed items involving subsidiaries and other long-term investments, intra-Group financial relations, credit decisions made by the Credit Committee and, where applicable, the affiliation of new local Caisses.

Written communications may be used in cases of emergency. The decisions taken under those circumstances are reiterated at the following Board meeting.

II.2.1.3 – Internal committees

Several internal committees perform regulatory assignments and through their work contribute to the deliberative body's proper functioning.

– **The Remuneration Committee :** consisting of at least two members for renewable three-year terms, this Committee is mainly responsible for issuing remuneration recommendations and proposals for the executive body and capital markets professionals.

– **The Group Audit and Financial Statements Committee :** created in 2007, its assignments are guided by the framework of French Banking and Financial Regulations Committee (CRBF) Regulation 97-02 and focus on the CM11-CIC scope. It reports to the Board of Directors and comprises 18 people representing the Group's components.

– **Group Risk Monitoring Committee :** created in 2007, its assignments are also guided by CRBF Regulation 97-02 and for the same CM11-CIC scope. It has 15 members and reports to the Board of Directors.

– **Group Ethics and Compliance Committee :** this Committee, created for the CM11-CIC Group scope, contributed to the establishment of the Group's code of ethics. Each year, it drafts a status report on the application and compliance within the Group of ethics and compliance principles and rules.

II.2.2 – Internal control and risk management system

BFCM's internal control and risk management are integrated into the overall internal control system implemented by the CM11-CIC Group as described below.

The work undertaken in the area of internal control and risk management is aimed at ensuring the application of all rules set by the regulatory authorities for the exercise of the Group's activities, based on internal policies as well as applications, guidelines and procedures implemented for that purpose. This report was therefore drafted with the assistance of the departments responsible for internal control and risk management by performing the required due diligence for its preparation and, where necessary, referring to the reference framework and application handbook recommended by the French Financial Markets Authority.

II.2.2.1 – The CM11-CIC Group's overall internal control system

The internal control and risk management system is an integral part of the Group's central organization, charged with the responsibility of ensuring compliance with regulatory measures, proper risk management, securing transactions and improving performance.

II.2.2.1.1 – A common, structured and independent system

The Group ensures that the system implemented is adapted to its size, operations and the scale of its risk exposure.

By using common methods and applications, the established internal control and risk measurement system aims in particular to:

– cover all Group activities comprehensively,
– identify, assess, monitor and aggregate risks in a consistent manner and on a consolidated basis,
– ensure compliance with applicable laws and regulations as well as internal policies,
– ensure the smooth operation of internal processes and the reliability of the financial information.

The organization implemented serves mainly to verify the quality and comprehensiveness of the internal control system. The Group ensures for both itself and the companies it controls that the established system is based on a set of procedures and operational limits consistent with regulatory requirements and approved standards. To that end, it relies on the methods and applications defined at Group level as well as on generally accepted practices in the area of internal audit and control.

One constant objective that guides the actions of all Group internal control departments consists of identifying the main risks based on guidelines and mapping and monitoring them with appropriate limits, formalized procedures and dedicated applications. In addition to their efforts aimed at identifying and minimizing risks, these departments also participate in the initiatives designed to enhance risk management. Meanwhile, the analytical applications and monitoring reports make it possible to review on a regular basis the Group's risk exposure related to its activities, including counterparty, market, liquidity, ALM and operational risks. In accordance with regulatory provisions, a risk assessment and monitoring report is prepared annually along with the internal control report. This risk assessment and monitoring report includes an in-depth review of the risk management system.

The Group continuously strives to ensure a satisfactory balance between the objectives assigned to internal control and the corresponding resources provided.

The necessary independence for controls is guaranteed by the fact that the people exercising them work in dedicated control units, have no operational responsibilities and have reporting responsibilities within the organization that preserve their freedom of judgment and assessment.

II.2.2.1.2 – The organization of controls

The CM11-CIC Group's control system satisfies a dual objective:

– break down the various types of existing control among separate functions (periodic, permanent and compliance), in accordance with regulatory provisions;
– harmonize the control work performed within the Group through the establishment of a common organization based on homogeneous and complementary methods and applications.

In order to perform their functions, the heads of the control departments have permanent and unrestricted access to persons, offices, equipment, applications and all types of information across the entire scope of the Group. They may assign part or all of their prerogatives to their employees as warranted by circumstances.

Analysis by types of control

Apart from the controls exercised by management personnel in the course of their day-to-day activities, the exercise of controls is the responsibility of:

– periodic control for in-depth assignments of an audit nature, performed as part of a control cycle over several years;

– permanent controls for all work of a recurring nature performed with remote control applications;

– compliance control, in particular for all matters related to the application of regulatory measures and internal policies (anti-money-laundering, control over investment services, regulatory watch, ethics, etc.).

Periodic control is responsible for ensuring the overall quality of the entire internal control system and the effectiveness of risk management and monitoring as well as the smooth operation of permanent controls and compliance.

A common support division for the various types of control

This division dedicated to control functions is charged with:

– developing and upgrading the applications needed for effective control;

– ensuring the development of the required reporting applications to monitor transactions and control audits, as well as to inform management bodies at the central and local (regions and subsidiaries) levels;

– ensuring the control applications among the various control functions complement each other for optimal coverage of the Group's risks.

The support division receives substantial support from the Group's IT resources.

II.2.2.1.3 – System governance by the Group Control and Compliance Committee (CCC)

Under the authority of a member of the executive body, the Control and Compliance Committee includes the Group's heads of control (periodic, permanent and compliance) and risk management; it meets regularly and has the following objectives:

– to approve the control plans, examine the results of control audits performed by the periodic control departments as well as the work carried out by permanent control and the compliance function, and, if necessary, make recommendations to the executive body on needed improvements,

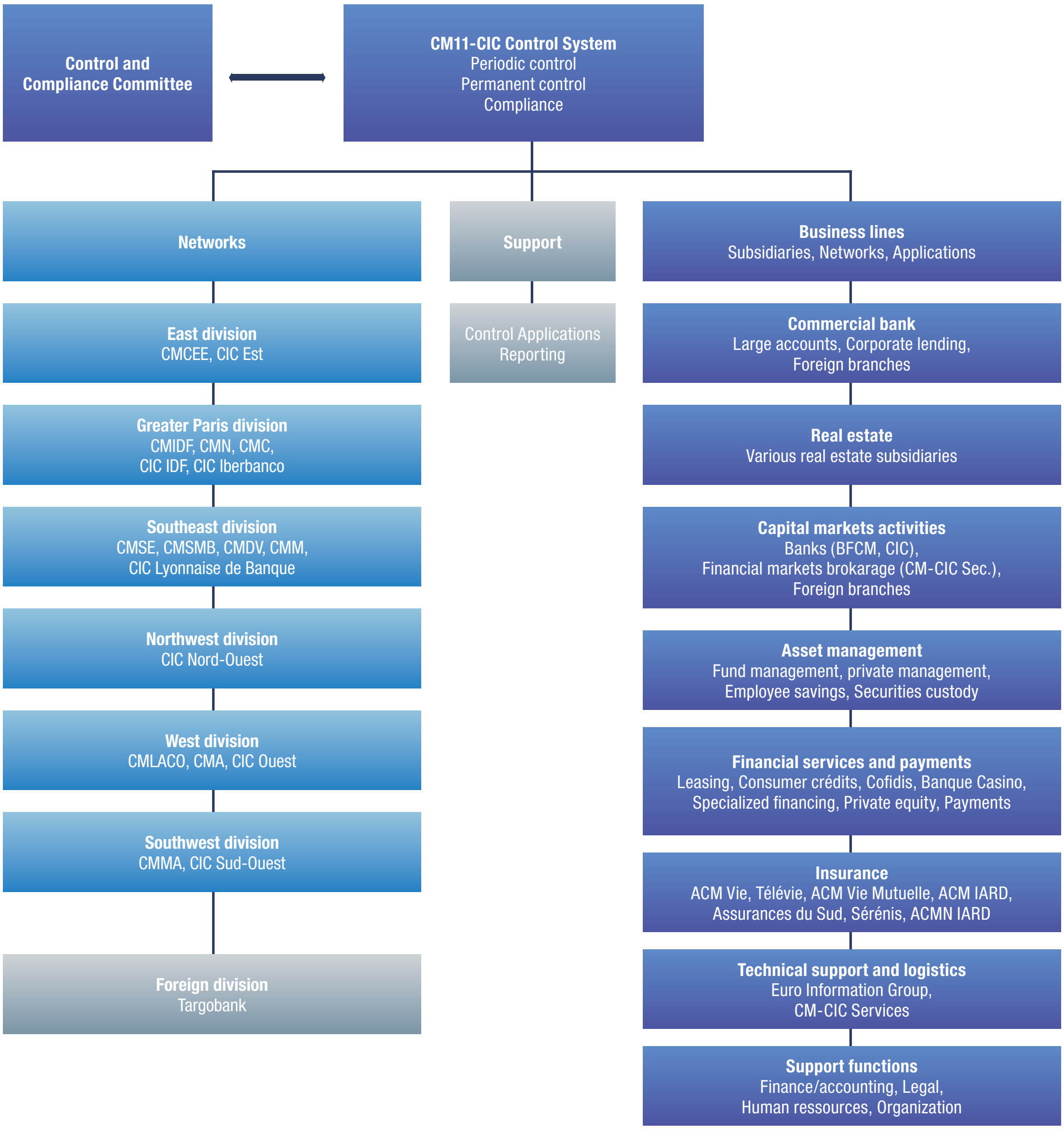
– analyze the findings of external control audits, notably those of regulatory authorities, and monitor the implementation of recommendations by the Group entities,

– ensure the actions and tasks of the various control and compliance participants complement each other,

– validate all new control procedures or changes affecting the organization of control functions; in 2012, it therefore approved the scope delineation between the two periodic control units (networks and business lines) for the Group's "business line" entities and the development of functional relations between business line periodic control and the audit units of the Group's main subsidiaries.

It met four times in 2012 (March 19, July 2, October 23, and December 11).

Summary chart of the existing organization (01/2013)



The Control and Compliance Committee reports to the Group Audit and Financial Statements Committee, which represents the Group's deliberative bodies.

II.2.2.1.4 – The Group Audit and Financial Statements Committees

In order to satisfy the requirements arising from the transposition of European directive 2006/43/EC related to the statutory audit of the parent company financial statements and the consolidated financial statements by the December 8, 2008 Ordinance No. 2008-1278, as well as those arising from new governance standards, a CM11-CIC Group-level Audit and Financial Statements Committee was established.

The Group Audit and Financial Statements Committee consists of directors representing the Crédit Mutuel federations that are members of Caisse Fédérale de Crédit Mutuel (in principle one per federation) and two members of CIC's Board of Directors.

Three of its members have special expertise in accounting and financial matters.

In 2012, the Crédit Mutuel Anjou federation appointed its representative to the Group Audit and Financial Statements Committee (Yves Champagne, Chairman of Angers Sud Caisse de Crédit Mutuel); he was welcomed by the Chairman of this committee, Claude Freixanet, at its first meeting of the year on February 20.

The independence of the Committee members is ensured by the fact that they all come from the Group's cooperative banking level, and are therefore elected by the stock-owning members of their respective local Caisse. This independence is strengthened by the voluntary nature of membership of the Audit and Financial Statements Committee.

With respect to internal control, the Group Audit and Financial Statements Committee:

– reviews the provisional internal control program,

– is informed of the annual report on consolidated internal control,

– is informed of the findings of the main audits performed by the periodic control department as well as the results of the permanent control and compliance departments,

– is informed of conclusions of external controls, notably any changes recommended by the regulatory authorities,

– is informed of actions implemented to follow up on the main recommendations identified in the internal and external control reports,
– assesses the efficiency of the internal control systems.

The Audit and Financial Statements Committee makes recommendations to the various deliberative bodies on any improvements it deems necessary based on findings brought to its attention.

With respect to financial reporting, the Committee:
– is responsible for monitoring the process for preparing financial information,
– supervises the statutory audit of the parent company financial statements and of the consolidated financial statements,
– participates in the choice of statutory auditors and has unrestricted access to them to learn about their work plan, ensure that they are capable of carrying out their audit and discuss the findings of their work with them,
– reviews the annual and consolidated financial statements,
– assesses the conditions for their preparation and ensures the relevance and continuity of the accounting policies and methods.

The Audit and Financial Statements Committee met four times in 2012 (February 20, May 14, July 25 and September 17). Its meetings are summarized in reports submitted to the deliberative bodies of the various federations and CIC so as to fully inform the directors.

II.2.2.1.5 – The risk management system

Group Risk Department

The mission of the Group Risk Department, which regularly analyzes and reviews all types of risks with an eye toward the return on allocated regulatory capital, is to contribute to the Group's growth and profitability while ensuring the quality of the risk management systems.

Group Risk Committee (CRG)

This committee meets quarterly, and, as well as the Executive Management, includes the heads of the principal business lines and functions (Networks, Large Accounts, Insurance, specialized business lines, Commitments department, Capital Markets department, Finance department, etc.).

The Head of the Risk Department is responsible for the preparation and presentation of the files and the Risk Dashboard.

This Committee is responsible for overall ex-post and ex-ante risk monitoring based on a global, prudential, economic and financial approach.

The Group Risk Monitoring Committee (GRMC)

This committee consists of members of the deliberative bodies and meets twice a year to review the Group's strategic challenges and opportunities in the risk area.

In 2012, the Crédit Mutuel Anjou federation appointed its GRMC representative (Hubert Chauvin).

Based on the findings presented, the Committee makes recommendations to the Group's deliberative bodies on all decisions of a prudential nature applicable to all Group entities.

The Head of the Risk Department presides over the meetings of this Committee and is responsible for the presentation of the files prepared for the various risk areas based on the work of the Group Risk Committee. Executive Management also participates in the meetings of this Committee, which may also invite the heads of the business lines with a stake in the items on the meeting agenda.

II.2.2.2 – Internal control procedures specific to BFCM

As the holding company for the Group – which is owned by Caisse Fédérale de Crédit Mutuel, Assurances du Crédit Mutuel and the Caisses de Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi Atlantique, Normandie, Dauphiné-Vivarais, Méditerranée and Loire Atlantique Centre Ouest – BFCM manages the investments held in the Group's specialized subsidiaries, all of which are subject to the Group's overall internal control system.

As an integral part of the CM11-CIC Group, BFCM has also implemented an internal control system for activities that it manages at its level. This system satisfies the same risk prevention and management objectives.

BFCM manages the cash of Crédit Mutuel and CIC and performs financial market transactions. It develops a financial engineering business and manages relations with international partners.

As an integral part of BFCM and CIC, CM-CIC Marchés consolidates all of the CM11-CIC Group's capital markets activities on one trading floor in order to refinance the entire CM11-CIC Group (through a single cash management team), develop the Group's capacity to sell capital markets products to customers and strengthen its proprietary trading activity.

The monitoring methods, procedures and limits system are presented in a set of rules.

The Board of Directors of CIC and Board of Directors of BFCM approve the strategy of each business line (refinancing, commercial, proprietary), capital allocation, limits and budget monitoring.

In this system, capital markets activities are steered by several units:
– The management of the CM-CIC Marchés Department defines the strategy, analyzes the business activity, results, risks and limits compliance, and coordinates the operational aspects (information system, budget, human resources, procedures),
– The Capital Markets Risk Committee, which meets monthly, monitors compliance with the body of rules and decisions established by the CM-CIC Marchés Department and validates the operational limits within the general limits set by the CIC Executive Board and BFCM Board of Directors,
– The CM-CIC Marchés Credit Committee, which meets weekly, is responsible for approving credit line requests as part of delegations of authority granted by the CM11-CIC Commitments Committee.

The internal control system is supported on the one hand by the work of the back office departments, which are responsible for controlling risks, results and accounting and regulatory control, and on the other by a team dedicated to monitoring capital markets activities, which reports to the manager of the business lines permanent control and the compliance function.

Just as they consolidated their capital markets activities under one roof, BFCM and CIC also combined their large accounts activity within CM-CIC Large Accounts. The applications and procedures were harmonized accordingly. The coordination of control tasks through a single portal is ensured by the head of business lines permanent control; the results of the controls conducted during the year were integrated within the same portal.

BFCM handles the Group's depositary activity. The depositary control plan is based on the definition of a set of control tasks and is established in concert with the BFCM business line permanent control and compliance departments. This plan strengthens the customer risk and product risk approach by implementing respective control processes, one for new customer relations development and the other for the analysis of mutual fund creation. The plan makes it possible to perform a comprehensive ex-post control and identify all risks related to fund management.

The ethics provisions are integrated into a code of ethics that covers both the general principles and the specific measures implemented in the context of BFCM's activities. The fundamental principles of respecting the primacy of the customer's interests and market integrity are addressed in particular.

As part of the operational risk management activities, operational risks arising from capital markets activities were assessed.

BFCM participates in the updating of its specific risk mapping and the related valuation models.

With respect to back-up measures, a Disaster Recovery Plan for all capital markets activities has been established. This plan addresses the major risks related to the unavailability of offices, technical resources and staff. It is based on the existence of two multipurpose sites, each one backing up the other, back-up information technology resources and work organization in employee pairs or even groups of three. A quarter of the staff have also been equipped with portable computers enabling remote connections. The Disaster Recovery Plan is regularly updated and tested.

Group Audit performs periodic control on a multiyear schedule. The findings of these audits are presented to the Control and Compliance Committee and the Group Audit and Financial Statements Committee. They are also contained in the annual report submitted to the French Prudential Supervisory Authority. The audits may be general or specific in nature.

II.2.2.3 – Internal control related to the preparation and processing of accounting and financial information

II.2.2.3.1 – The role of governance bodies and the Group Audit and Financial Statements Committee

At the close of each reporting period involving financial statements or financial information to be published, this information is presented to the Board of Directors by the Finance Department. The determination of the earnings and the presentation of the financial situation and activity are part of an analysis that includes reconciliations with non-accounting information (interest rates, average capital, etc.).

The accounting principles applied that have a material impact have been previously reviewed and approved by the statutory auditors. These auditors are regularly invited to participate in the meetings of the Board of Directors held to approve the financial statements. They are asked to report on their audit and present the results of their work to the deliberative body.

The Group's accounting principles used for the financial statements consolidation are presented in the Notes to the financial statements.

The accounting work is presented regularly to the Group Audit and Financial Statements Committee, which is independent of the Finance department and charged in particular with a review of the process for preparing the financial statements and financial information disclosed by the Group.

During the past year, information presented to the Group Audit and Financial Statements Committee focused on:

– changes in the Group's scope and its impact on the consolidated financial statements (expansion from CM10 to CM11, with the addition of the Crédit Mutuel Anjou federation to the collective banking license scope, first-time consolidation methods for Banco Popular, etc.),

– the consolidated results and their in-depth analysis (analysis of the various items for the intermediate analytical account balances, sector analyses by business line, analysis of general and administrative expenses, actual allocations to provisions for loan losses and collective provisions, etc.),

– changes in the factors used to calculate the solvency ratio (capital and risks).

II.2.2.3.2 – Specificities to the banking activity

The governance of the accounting and financial organization is structured in order to satisfy the specificities of a credit institution's activities:

– nearly all of the economic transactions carried out by a bank result in a financial payment or commitment that needs to be accounted for;

– a significant volume of accounting entries is based on fully automated recording processes for the executed transactions;

– unlike the situation in industrial or commercial companies, accounting entries are decentralized throughout the entire organization and not consolidated in just one accounting department.

The vast majority of the accounting entries are therefore executed by the IT system based on preset configurations. These automated circuits are designed to ensure:

– the comprehensiveness, reality, measurement and proper classification of the accounting depiction of completed economic transactions;

– prevention of fraud risk by predefining in a centralized manner the transactions that each participant is authorized to execute;

– rapid and regular accounting centralization, with entries recorded in real time or at least once every business day in the case of batch processing;

– de facto homogenization of accounting data among the Group's various companies.

II.2.2.3.3 – The accounting system

The accounting architecture

The company's IT platform operates in common with 15 Crédit Mutuel federations and the CIC banks, which includes common accounting and regulatory features involving in particular:

– the chart of accounts, whose structure is the same for all institutions administered on this platform;
– the definition of automated processes and procedures shared by all banks (payments, deposits and credits, current transactions, etc.);
– reporting applications (SURFI, input of consolidation software, etc.) and management control applications.

In that context, the administration of the common accounting IT system is entrusted to dedicated divisions, the "Accounting Procedures and Processes" divisions, which represent autonomous units within either the CM11-CIC Finance department "retail banking/networks" or the CM11-CIC Finance department "specialized business line networks", depending on the case.

These divisions are responsible in particular for:
– the administration of the common chart of accounts (creation of accounts, definition of account characteristics, etc.);
– the definition of common accounting procedures and processes, in accordance with tax and regulatory requirements. To that end and when necessary, the company's Tax department is consulted and the establishment of the processes is subject to a validation procedure involving the various operational managers.

The "Accounting Procedures and Processes" divisions are independent, both hierarchically and operationally, from the accounting departments in the strict sense, which enables a separation between the accounting architecture, design and administration functions and the other operational departments.

Within the company, all accounts must be assigned to an operational department that will be responsible for their operation and control; thus no account may be overlooked or lack a clearly designated entity responsible for its monitoring.

The established organization and procedures make it possible to comply with Article 12 of CRBF Regulation 97-02 and ensure the existence of an audit trail.

Chart of accounts

The chart of accounts is based on two main types of accounts: third party accounts, which track the deposits and receivables of individual third parties, and general ledger accounts.

The use of dedicated accounts for deposits from and loans to third parties makes their monitoring possible. With respect to securities custody, CM-CIC Titres uses "inventory" accounting, which distinguishes between third party and proprietary securities ownership (equity investments), and external segregation when the custody is no longer provided by the Group (Financing and capital markets activity).

The chart of accounts for all credit institutions administered on the common IT platform uses a single nomenclature (Nouveau Plan de Comptes Interne – NPCI chart), which is administered by the "Accounting procedures and processes" divisions.

This chart of accounts defines the account properties with respect to the following areas in particular:
– regulatory attributes (consistency with the chart of accounts of credit institutions (French acronym: PCEC) linked to prudential regulatory reports, reconciliation to the items of the published financial statements, etc.),
– certain tax characteristics (VAT position, etc.),
– management control characteristics (mandatory presence or not, link to the consolidated chart of accounts, duration of custody for online transfers, presence at headquarters/branch, etc.).

Processing applications

The accounting information processing applications are mainly based on internal applications developed by the Group's IT departments.

To those applications are added several specialized applications, either external or internal, notably a management reporting production application, an accounting balances and financial statements production application, a utility for processing file queries, a consolidation application, a regulatory financial statements processing application, a non-current assets management application and tax reporting applications.

Automated controls

Accounting files undergo a series of automated controls prior to final accounting recognition: file balancing, file validation, updating of the audit trail of accounts affected by accounting entries.

Internal applications make it possible to control daily account entries and detect any anomalies.

A dedicated application for automated control of accounts has been deployed since 2010 in order to manage limit amounts on accounting entries, broken down by type of account (third party/general ledger), entry type (debit/credit), IT application code, entity and the entity's sector of activity.

The application has two levels of control focused on:
– a limit threshold,
– a warning threshold.

The control applies to account processing in real time or batch processing for all applications that do not require that the entries be authorized on the basis of the "four eyes" principle. If a threshold is exceeded, the accounting entry is blocked and shifted to an accrual account. After analysis, the user may:
– in the case of a "warning" level, validate the entry after the control,
– in the case of a "limit" level, complete the transaction only if approved in accordance with the "four eyes" principle.

In all cases, entries recorded above a warning threshold (automatically through file handling or after an override in real time) are tracked and stored in event management.

II.2.2.4 – Internal control in the preparation of parent company financial statements and the consolidation process

II.2.2.4.1 – Controls of parent company financial statement closings

At each closing, accounting information is compared against the forecast management data for validation. The forecast management data are developed by divisions that are independent from the accounting production departments (management control and budget control).

This analytical review focuses in particular on:

– the net interest margin; for fixed-income instruments (deposits, loans and off-balance sheet items), the management control calculates the expected returns and costs based on the average capital observed; these results are then compared with the effective interest rates and validated for each business sector;

– the level of fees and commissions; based on activity indicators, the management control estimates the volume of fees and commissions received and payable, compared with the actual results;

– general and administrative expenses (employee expenses and other general operating expenses);

– net additions to/reversals from provisions for loan losses (provision allocations and recorded losses).

The accounting procedures and accounting processes are formalized. For the branch network, the procedures are posted on the bank's intranet.

The daily accounting controls are exercised by the appropriate employees at the level of each branch.

The accounting control departments also fulfill a general control task involving in particular regulatory controls, the monitoring of internal account justifications, the monitoring of branches, controlling the foreign exchange position, controlling NBI by activity, accounting procedures and processes, the interface between the back offices and statutory auditors.

The control departments (periodic, permanent, compliance) are also called upon to perform duties in the accounting area. Internal control portals are dedicated to the accounting function and adapted to the specificities of the entities (type of activity and type of control deployed).

II.2.2.4.2 – Controls of the consolidated financial statements

The system is periodically adapted to satisfy regulatory changes (IFRS) or improve the reliability of financial statements production.

The Group entities have applied IFRS accounting principles since January 1, 2005. A summary of IFRS accounting principles is provided in the consolidated financial statements.

CM11-CIC Group identifies the international (IFRS) accounting principles and methods to be applied by all Group entities in their respective financial statements. Foreign subsidiaries take these policies into account when transitioning from their local accounting standards to French and international standards in the consolidation packages and financial reporting.

Individual company financial statements based on IFRS are prepared in the central IT system for the entities using the common IT system.

The Group has a consolidation chart of accounts. In the common IT system, each account in the common chart of accounts includes a link to the consolidated chart of accounts. This link is therefore the same for a single account for all companies that share this chart.

The preparation of the consolidated financial statements is carried out on the basis of a schedule sent to all subsidiaries and the statutory auditors. This schedule includes, where applicable, changes in procedures or standards to be integrated. The person responsible for the closing of the financial statements of the subsidiary and the person responsible for the listing of reciprocal accounts among fully consolidated companies are designated at each consolidated subsidiary.

The statutory auditors of the consolidation send simultaneous audit instructions to the statutory auditors of the consolidated companies. These instructions are intended to ensure the subsidiary's compliance with the various standards, in accord with their own professional standards.

The consolidation of accounts is performed on a dedicated application, one of the leading commercially available standard applications. Inputting data into the consolidation application (consolidation packages) is partially automated based on an interface developed on the accounting IT system, which enables the balances to be recovered automatically and thereby ensuring the consistency between company and consolidated data.

Moreover, the consolidation package may not be submitted by the company until after several verifications to ensure consistency and directly programmed into the package have been satisfied. These control rules (currently more than 600) are developed by the consolidation departments and relate to a number of factors (changes in equity, provisions, non-current assets, cash flows, etc.). So-called blocking controls prevent the package from being submitted by the subsidiary unless a special exception has been granted by the consolidation departments.

The consolidation department also performs consistency controls on the company data upon receipt of the packages (earnings level, intermediate management balances, etc.).

Finally, systematic reconciliation statements between company and consolidated data are prepared with respect to equity and earnings. This process, which makes it possible to ensure the coherence of the transition between accounting series, company and consolidated, is performed independently of the consolidation application, which therefore enables the validation of these consolidated items.

In conclusion, BFCM's internal control and risk management system, which is based on shared methods and applications, is part of the CM11-CIC Group's control organization. The Group is always seeking to strengthen and improve its efficiency.

II.2.3 – Limitations on the authority of the Chairman – Chief Executive Officer

The Board has not set any limits on the authority of the Chairman and Chief Executive Officer, as set forth by law and our by-laws and internal rules.

II.2.4 – Principles for determining remuneration granted to company officers and directors

The provisions of Article L 225-37 of the French Commercial Code specify that in companies whose securities are admitted for trading on a regulated market, the Chairman of the Board of Directors must also present the rules and principles established by the Board of Directors for determining remuneration and all types of benefits granted to officers and directors.

BFCM's Board of Directors established a set of internal rules for the Remuneration Committee that are consistent with the provisions of CRBF Regulation 97-02.

The annual filing with the Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel – ACP*) pursuant to Articles 43-1, 43-2 and 43-3 on the implementation of the remuneration policy was completed with a "Report to the ACP on the remuneration policy and remuneration practices", based in particular on information provided by the HR department with respect to the decision-making process, the main characteristics of the remuneration policy and the quantitative information on financial market managers and professionals. This joint report is applicable to both BFCM and CIC.

The Chairman of the Board of Directors

II.3 – Statutory auditors' report on the Report of the Chairman of the Board of Directors

This is a free translation of a report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
Département de KPMG S.A.
1, cours de Valmy
92923 Paris-La Défense Cedex, France

Statutory Auditor
Member of the Versailles regional institute of accountants

Ernst & Young et Autres
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1, France
S.A.S. à capital variable
(simplified stock company with variable capital)

Statutory Auditor
Member of the Versailles regional institute of accountants

Banque Fédérative du Crédit Mutuel S.A.
Registered office: 34, rue du Wacken - 67000 Strasbourg
Share capital: €1,326,630,650.

Report of the statutory auditors, prepared in accordance with Article L.225-235 of the French Commercial Code, on the Report of the Chairman of the Board of Directors of Banque Fédérative du Crédit Mutuel (BFCM)

Year ended December 31, 2012

To the shareholders,

In our capacity as the statutory auditors of BFCM and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present you with our report on the report prepared by the Chairman of your company in accordance with the provisions of article L. 225-37 of the French Commercial Code for the year ended December 31, 2012.

It is the duty of the Chairman to prepare and submit for the approval of the Board of Directors a report describing the internal control and risk management procedures implemented within the company and providing all other information required under Article L. 225-37 of the French Commercial Code related in particular to the corporate governance system.

Our duty consists of:

- informing you of our observations regarding the information contained in the Report of the Chairman with respect to internal control and risk management procedures involving the preparation and processing of accounting and financial information, and
- certifying that this report includes the other information required by Article L. 225-37 of the French Commercial Code, it being noted that our duty does not include verifying the accuracy of the other information.

We carried out our work in accordance with generally accepted French professional standards.

Information regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information

Professional standards require the implementation of due diligence aimed at assessing the accuracy of the information related to internal control and risk management procedures involving the preparation and processing of accounting and financial information contained in the Report of the Chairman. This due diligence consists in particular of:

- being informed of internal control and risk management procedures related to the preparation and processing of accounting and financial information that underlie the information presented in the Report of the Chairman as well as the existing documentation;
- being informed of the work undertaken to prepare this information and existing documentation;
- determining whether the major deficiencies of the internal control related to the preparation and processing of the accounting and financial information uncovered as part of our audit are properly addressed in the Report of the Chairman.

On the basis of this work, we have no observations to make on the information involving the company's internal control and risk management procedures involving the preparation and processing of accounting and financial information contained in the Report of the Chairman of the Board of Directors, established in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

Other information

We hereby certify that the Report of the Chairman of the Board of Directors includes the other information required under Article L. 225-37 of the French Commercial Code.

Paris-La Défense, April 19 avril 2013
The statutory auditors

KPMG Audit
A unit of KPMG S.A.
French original signed by

Jean-François Dandé
Partner

Ernst & Young et Autres
French original signed by

Olivier Durand
Partner

II.4 – Report on the system of procedures to combat money laundering and terrorism financing

II.4.1 – Organization of the system and employee training

The Group's central compliance function fulfills several roles with respect to the anti-money laundering and terrorism financing (AML/TF) system within the Group, including coordination, management, training, administration and control. The Group's head of compliance (Stéphane Cador, cadorst@cic.fr) reports directly to a member of the Group's Executive Management; he is supported by a national manager of the anti-money laundering and terrorism financing system of procedures (Raoul d'Estaintot, raoul.destaintot@creditmutuel.fr).

To execute its assigned missions, the central compliance function has correspondents within the permanent control and compliance departments of the various regional divisions, business line entities and foreign-based entities. These correspondents, in particular the Tracfin correspondents and declarers, report on a functional basis to the central compliance function.

In 2012, efforts focused on the continued Group-wide deployment of the AML/TF system, including in particular:

– the implementation of the ACP's recommendations following its 2011 audit of Caisse Fédérale de Crédit Mutuel,

– the recognition of an approach based on the client's listing markets instead of the markets to which the branches belong for the implementation of AML alerts,

– the establishment of an intra-Group information sharing procedure,

– the updating of the business lines' risk approach, notably through updates to the country rankings in order to take into account FATF statements and embargo surveys.

The integration of Crédit Mutuel Anjou led to the appointment of two new Tracfin correspondents/declarers on behalf of this federation, which fully implements the Group's AML/TF system.

A surveillance plan that takes into account the recommendations of the Prudential Supervisory Authority (ACP) was established so that it could be rolled out at the entities. At the conclusion of its audit, the ACP validated the AML/TF system but noted that its application was inconsistent between institutions.

AML/TF training initiatives are included in the Group's training plan.

Along with the self-training manual and 16 training modules designed for the Caisses/branch managers, a new training module – developed in response to an ACP recommendation – was developed for the ACMs and Employee Savings and Large Accounts departments (roll-out in 2012). This training module will be delivered to Tracfin correspondents for the training sessions they provide in the network.

In 2012, 64% of all staff members potentially affected by the risk of money-laundering completed either the new self-training course rolled out as of October 2011 (it should be noted that this course is updated every two years) or classroom training. The training plan stipulates that employees required to complete the training have until the end of 2013 to validate their self-training course.

II.4.2 – Risk classification, description of procedures

II.4.2.1 – Classification and duty of vigilance

At end-December 2012, the implementation of strengthened vigilance measures was required for 0.27% of all clients.

II.4.2.2 – Changes in procedures

The procedures are drafted by business line (retail banking, insurance, asset management, leasing, international, employee savings, real estate, large accounts, capital markets, etc.).

All procedures were updated during the course of the year.

The new system of enhanced due diligence led to an annual update of client knowledge for customers classified as high risk.

As for the means of circulating information within the Group, a procedure aimed at Tracfin correspondents/declarers and their employees was disseminated. It applies to the entities established in France and abroad.

With respect to the methods for defining material discrepancy criteria and thresholds in the AML/TF area, a new ranking involves taking transactions into account in a more detailed and appropriate manner than the segmentation of individuals and allows for the possibility of fine-tuning thresholds for triggering alerts.

The conditions for the use of a third party are identical to those of the previous year. In 2011, an application was established for managing customer relations and agreements (PRESC) with "financial institution" third parties (those qualifying as "Intermediaries for Banking and Payment Services Transactions - IOBSP) for the purpose of issuing mortgage loans and business loans.

II.4.3 – Permanent controls

AML/TF activity increased significantly last year relative to 2011. For the CM11-CIC [1] Group:

– 114,042 alerts were generated by the applications and 91% of them were processed;

– 30,921 transactions were subjected to strengthened review;

The 2012 control plan for Tracfin correspondents includes the following changes for the retail banking network relative to 2011:

– adjustments to the control plan with respect to second-level control applications: going forward, the Tracfin correspondent will give priority to a risk approach based on his geographic scope and the type of client;

– the definition of two control areas for de facto companies (*sociétés de fait*) and the functioning of client accounts that record transactions through the intermediary of international payment service providers.

The first-level control plan is included in the dedicated control application (CINT), branch by branch or Caisse by Caisse at Crédit Mutuel. It is supervised by the permanent control teams which are split into regions.

CM11-CIC had a 96% average completion rate for control tasks in CINT.

Meanwhile, CM11-CIC's average completion rate for second-level control tasks (CINTMT) was 93%. The second-level controls highlight slight improvements in the use of portals, which still needs further improvement, as well as the quality of the comments supporting the verifications.

With respect to the centralized control of payments, as required under EC Regulation 1781/2006, the number of discrepancies fell slightly (from 8,484 in 2011 to 8,408 last year) despite the 4% increase in the number of transactions to 2,609,000; they represented between 0.48% and 0.24% of monthly payment flows, and on average fell from 0.34% in 2011 to 0.32% in 2012. It should be noted that a detailed analysis shows that the information is for the most part present. Under the terms of the annual review, no bank requires the submission of a report to the ACP's General Secretariat, given either the low volume of transactions showing discrepancies or the answers provided to questions.

A monthly "Webcheques validation" control is designed to verify the proper application by the network of the control procedure for checks issued. The controls and statistics show the proper use of this procedure by the networks. The number of branches with discrepancies is low, and they are contacted systematically.

An overall assessment of controls shows the proper control of AML/TF risks and proper use of dedicated Tracfin vigilance applications, better coverage of payments supervision through second-level control applications and greater awareness of the importance of supporting evidence for customer identification. To address discrepancies revealed, the anti-money laundering departments continue to raise awareness and provide training programs and daily support to employees participating in prevention measures.

II.4.4 – Main deficiencies uncovered by national and foreign control authorities and resulting corrective measures

The follow-up letter with respect to the ACP audit of the CM11 AML/TF system in 2011 was received in August 2012.

The ACP sought commitments on staffing and the updating of information on customers and identification of politically exposed persons (PEPs).

The following points need improvement: structure and improve the consistency of information from regional governing bodies; ensure the use and application of procedures and staff training, which are considered inconsistent across the regional entities; improve the configuration of applications to make them more efficient; ensure the implementation of applications, whose use sometimes appears inconsistent or lax at the regional level, apply the corrective measures identified by the internal control bodies as soon as possible.

1. Including the CIC regional banks, the ACM and Cofidis Groups as well as BFCM, BECM, Credit Mutuel-CIC Home Loan SFH, CM-CIC Factor, CM-CIC Epargne Salariale, CM-CIC Securities and CM-CIC Bail.

III. FINANCIAL INFORMATION
ABOUT CM11-CIC GROUP

III.1 – CM11-CIC group management report

III.1.1 – A year of sharp ups and downs

As in 2011, the question of sovereign debt led to alternating bouts of lost confidence and renewed risk appetite. At the beginning of the year, long-term refinancing operations (LTRO) carried out by the European Central Bank (ECB) in support of euro zone banks gave rise to the feeling that the problem had been resolved. However, doubts surrounding Spain and Italy's public finances and the absence of any lasting solution for Greece led to increased strains on interest rates and gave rise to fears that the euro zone might collapse. The ECB was forced to intervene during the summer by adopting the role of lender of last resort. This decision, combined with the provision of substantial amounts of liquidity by the other major central banks, eventually allowed optimism to win through, thus giving the backseat to the tough austerity drive that has sharply reduced domestic demand, curbed international trade and increasingly sapped growth in the United States and emerging countries.

Europe: a roller coaster ride

The crisis passed through three distinct phases. In the first one, the refinancing operations undertaken by the ECB at the end of 2011 clearly relieved tensions: Spanish and Italian banks used the borrowed funds to buy up their countries' sovereign debt on a massive scale. In the spring, however, the call for private sector creditors to take part in the haircut on Greek debt, together with governments' failure to meet their deficit reduction objectives, led to investors drastically reducing their exposure to the euro. With capital taking flight and sovereign bond rates soaring, many feared the worst. Finally, the ECB's announcement of the launch of "Outright Monetary Transactions" (OMT) attenuated systemic risk without exposing political leaders to moral hazard. By making OMTs conditional on the prior existence of a partial assistance agreement with the European Stability Mechanism (ESM), which requires approval by the ESM's board of governors, the ECB effectively avoided signing a blank check for countries in difficulty.

While this action may have saved the euro zone, it did not solve the question of how to reactivate GDP growth, nor was it intended to. The deleveraging phase that started two years ago will continue to weigh down on growth prospects for several more years. Following a 2012 marked by recession, 2013 is likely to see near-stagnation. Internal demand will remain heavily subdued, and sources of activity will have to be sought beyond the frontiers of Europe. For several quarters now, European economies have been kept afloat only by exports, and this will continue in 2013. This underlines the importance of bolstering gains in competitiveness in order to lock in improvements in the balance of trade. The continuing flatness of the economy has added fuel to the debate on whether austerity measures should be eased by deferring public deficit targets by one or two years, depending on the country, to take account of the short-term economic situation.

The outlook might brighten slightly if improvement is seen in the first quarter. Institutional developments were also far-reaching. The ESM is now fully operational and strengthened by the ECB's commitment. Oversight mechanisms came into operation, with more exhaustive controls on imbalances and ever stricter recommendations from the EU authorities. Another particularly important logjam was cleared - that of the banking union, which will consolidate the European structure.

United States: ever tougher budget negotiations

The US started 2012 on an upbeat note, which gradually faded as a result of the worldwide slowdown caused by the difficulties in Europe and the impossibility of compromise between Republicans and Democrats on budget issues.

Since they share power in Congress, the two parties had agreed to defer all budget decisions to 2013 - this with an eye on the November 2012 elections, which they hoped would give them a mandate to negotiate. Since the electorate in effect opted to maintain the status quo, the fog has not cleared. An eleventh-hour partial agreement reached on January 1, 2013, while in fact dealing only with the revenue side of the equation, nonetheless avoided the «fiscal cliff» that would have plunged the US into recession. However, the compromise needed to agree on spending cuts by the end of February remained doggedly elusive. In this situation, economic agents preferred to adopt a cautious stance. Despite the uptick in the early part of the year, uncertainty returned in the second half, leading businesses to cut back on capital expenditure and hiring. The effect took longer to work through to households, whose spirits were lifted by the rebound in real estate, but consumption will likely continue to suffer for several more months.

While waiting for the politicians to finally set the pace and methods for reducing the gap in the budget, the Federal Reserve continued to make available all necessary resources to reduce its negative impact. It launched a new mortgage-backed securities purchasing program to support and extend the reactivation of the real estate sector, which is an important job creator. It further eased its monetary policy by replacing "Operation Twist" (exchanging short-term Treasury securities for longer-term ones), which expired in 2012, with net purchases for an additional $45 billion per month. This highly accommodative strategy will be maintained until the unemployment rate stabilizes below 6.5%, which will not be before 2014.

Emerging markets: growth is slowly being whittled away

Faced with slackening external demand, emerging countries were obliged to take additional measures to support economic activity. Virtually all their central banks (with the notable exception of Russia's) eased their policies in order to favor capital expenditure and avoid excessive appreciation of their currencies. Governments also continued or accelerated their stimulus plans in order to boost domestic consumption and thus further reduce their dependence on external demand as the driver of economic growth.

With the pace of expansion currently in a stabilization phase, emerging economies partly dispelled the doubts surrounding their solidity. This was particularly so in the case of China, which is in full transition. The Chinese authorities managed to hold GDP growth above 7%,the threshold needed to ensure social stability. They have adopted a stimulus plan that is less far-reaching than that of 2008/09, but more finely targeted at achieving gradual deflation of the real estate bubble. Growth should resume its upward trend in 2013, having apparently bottomed out, which is also the case in Brazil.

Overall, progress in terms of European structure, together with expansionist monetary strategies, allowed global growth to consolidate at a moderate but acceptable level. Growth in 2013 is likely to be limited while new public spending practices are being implanted, but we shall probably see a clearer uptick in 2014.

III.1.2 – Activity and results of CM11-CIC group

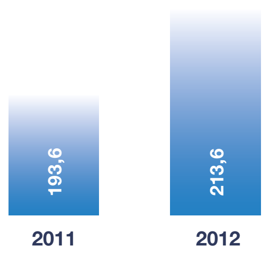
CM11-CIC Group, whose core business is retail banking (75% of NBI), recorded commercial gains and stable financial results while affirming its solid financial position by maintaining close ties to its customers and addressing their concerns.

III.1.2.1 – Commercial activity gains

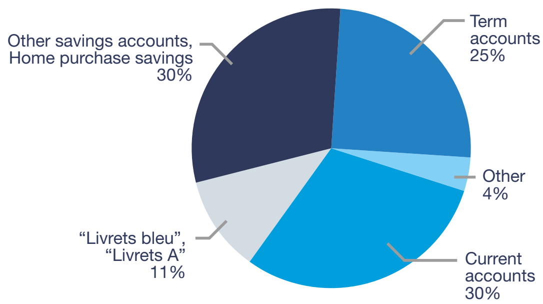
The commercial expansion continued apace in 2012. The Group now has 23.8 million customers, compared with 23.5 million in 2011.

Bank deposits totaled more than €213.6 billion, an 8.8% increase. The nearly €20 billion increase in total deposits resulted primarily from deposits on the Group's Livret Bleu / Livret A savings accounts (+ 19.5%) and other savings accounts (+ 10.6%), along with an 8.4% increase in sight deposits.

Customer deposits (€ billions)
excluding SFEF

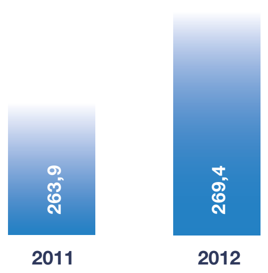


2012 structure of bank deposits

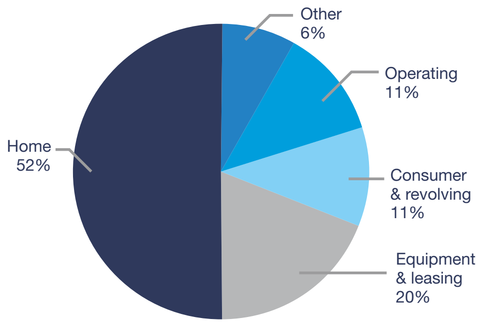


Total loan outstandings increased by €5.5 billion to €269.4 billion, up 2.1% in gross terms. As in 2011, this increase was driven by investment loans (+ €3.1 billion; + 7.3% gross) and housing loans (+ €3.5 billion; + 2.6% gross). It reflects the CM11-CIC Group's longstanding and continuing commitment to supporting the projects of companies and individuals at both the national and regional levels.

Net customer loans (€ billions)



2012 structure of net loans



These changes brought about a clear improvement in the loan-to-deposit ratio, which stood at 126.1% as of December 31, 2012, compared with 136.3% one year earlier.

In the insurance area, the total number of policyholders increased by 230,000 to 7.9 million. The number of insurance contracts was up by more than 520,000 to 24.8 million, with 80% of this increase generated by non-life policies.

In the services area, telephony, which has more than 1.1 million subscribers, will help to drive the increase in contactless payments. Remote surveillance took in more than 60,000 new customers in 2012 and its subscription portfolio increased by 18%.

III.1.2.2 – Stable financial results

(in € millions)	2012	2011	2011 restated[1]	Change[2]
Net banking income	11,462	11,053	11,065	+ 1.9%
Operating expenses	(7,341)	(6,942)	(6,931)	+ 3.8%
Operating income before provisions	4,121	4,111	4,135	- 1.4%
Income before tax	2,880	2,718	2,768	+ 3.1%
Net income	1,823	1,805	1,843	- 1.7%

1. After taking into account IAS 19 revised standard and correction of the recognition of the investment in Banco Popular Español according ti IAS 8.
2. Change on a comparable period and consolidation scope basis compared to 2011 revised.

Total NBI exceeded €11.4 billion, up 1.9% from €11.1 billion in 2011. This increase was mainly due to the gains recorded by the insurance business, while retail banking was affected in 2012 by the increased cost of funds.

General operating expenses totaled €7.3 billion, up from €6.9 billion. Changes in tax and social security regulations (doubling of the tax for systemic risk, increase in the corporate contribution (forfait social)) accounted for more than 25% of this increase. These expenses nevertheless remain in check with only a 2.3% increase in 2012 excluding these outside factors.

At constant scope, net provision allocations/reversals for loan losses, which contracted by €395 million, totaled €1,081 million, and reflected a €30 million decrease following the market sale of Greek sovereign debt in the first quarter of 2012. This decrease was largely achieved through a reduction in the provision on Greek sovereign debt established in 2011.

In addition, the actual net provision for known risks (i.e. excluding collective loss provisions) on customer loans trended favorably, with a gross decline of 5.8%, reflecting solid control in all business lines.

The actual net provision for known risks represented 0.37% of total loan outstandings, a level equivalent to that of 2011. The overall non-performing loan coverage ratio was 64.6% at end 2012, compared with 66.7% in 2011.

Net income totaled €1.8 billion as of December 31, 2012, essentially unchanged relative to 2011.

III.1.2.3 – Solid financial position affirmed

III.1.2.3.1 – Liquidity and refinancing

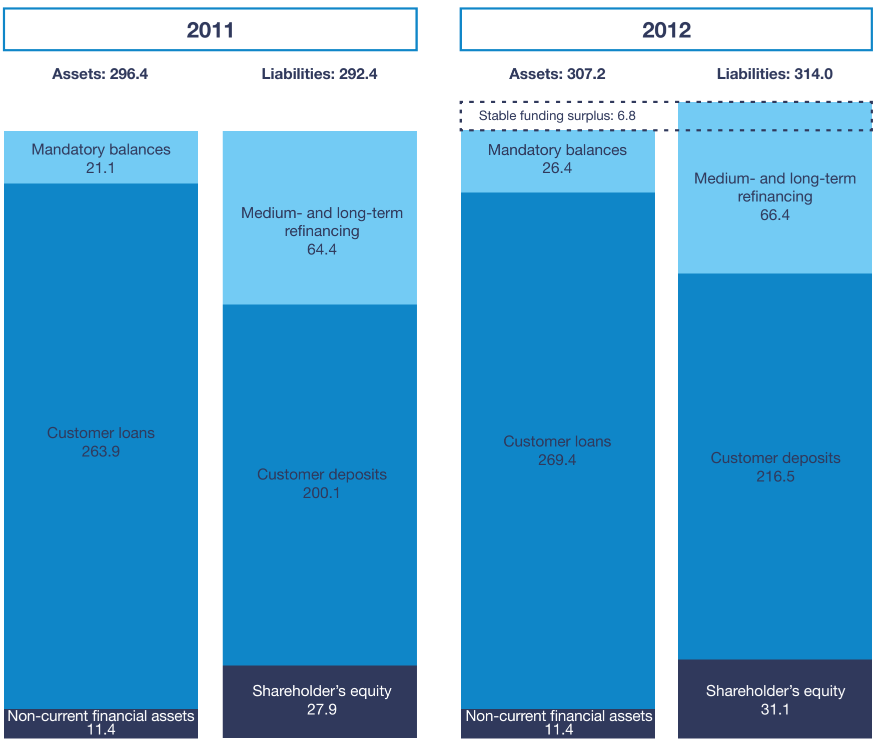
In 2012, the CM11-CIC Group's refinancing was carried out in a calmer market environment marked by two distinct periods.

The first part of 2012 was characterized by a continuation of the previous year's tensions resulting from the acute sovereign debt and banking crisis.

Then, political progress complemented by additional European Central Bank measures over the summer gave investors renewed confidence as to the long-term viability of the euro zone.

Thanks to its customer-oriented strategy (retail banking and insurance) and strong fundamentals, the Group was able to maintain its solid credit ratings, thereby winning favor from French and international investors throughout the year.

Structural strengthening of the Group's stable funding and financial assets (€ billions)



Stable funding surplus

The Group has a €7 billion stable funding surplus. The policy implemented for a number or years consisting of strengthening customer deposits and extending the maturity of its market debt has resulted in this surplus of stable funding over stable financial assets, notwithstanding the increase in mandatory balances related to the higher ceiling on Livret A and Livret Bleu savings accounts.

Medium- and long-term refinancing

The bulk of the medium- and long-term refinancing was carried out through funds raised by BFCM.

The efforts to diversify medium- and long-term funding were carried out through:

– documentary preparations for a U.S. Rule 144A securities offering by CM-CIC Home Loan SFH (Société de Financement de l'Habitat) aimed at U.S. investors, which led to an offering in the U.S. market at year-end;

– continued Asian offerings in Japan (Samurai and Uridashi) totaling JPY 37 billion with maturities of two, three and five years;

– communications initiatives aimed at international investors based on a strictly adhered-to schedule.

As for noteworthy major offerings, the two transactions performed by CM-CIC Home Loan SFH were:

– €1,250 million at 12 years issued in January 2012 in a challenging market environment and without ECB support.

– USD 1,000 million at five years issued in November 2012 in a US Rule 144A filing and 70% placed with U.S. investors.

For 2013, the medium- and long-term refinancing program amounts to €11 billion, exactly the same amount of medium- and long-term debt coming due during the year. At end-February, just over one-third of the program scheduled for this year had been achieved, at particularly low spread levels.

Short-term refinancing

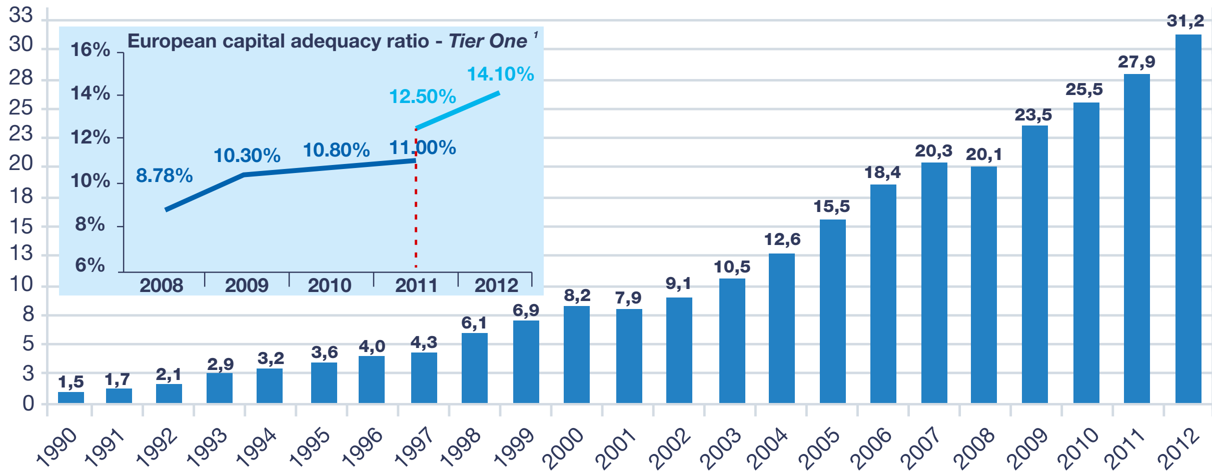
The Group has a €70 billion liquidity reserve (central bank deposits and inventory of discounted ECB eligible notes), which represents 1.3x its market refinancing needs at less than one year (money market and bond amounts due).

The composition and scaling of this reserve are closely monitored. A roadmap was established to satisfy the requirements of Basel III's future liquidity ratios.

III.1.2.3.2 – Capital adequacy

As of December 31, 2012, shareholders' equity and deeply subordinated securities totaled €31.2 billion and tier 1 regulatory capital was €21.8 billion. The core tier 1 capital adequacy ratio was 14.1%, one of the best in Europe, thereby facilitating access to financial markets.

Changes in shareholder's equity and deeply subordinated debt (€ billions)



1. Tier 1 ratio from 2008 to 2011 : incorporating additional minimum capital requirements relative to Basel I.

The bankinsurance activity, which includes the retail banking, insurance and consumer credit business lines, accounts for nearly 80% of CM11-CIC's shareholders' equity and deeply subordinated securities.

The sound financial position was confirmed by the three rating agencies, which maintained the long-term rating level of Banque Fédérative du Crédit Mutuel throughout 2012.

	Standard & Poor's	Moody's	Fitch Ratings
Long-term rating	A+	Aa3	A+

III.1.3 – The group's business lines and main subsidiaries

III.1.3.1 – Retail banking, the core business

(in € millions)	2012	2011	2011 restated[1]	Change[2]
Net banking income	8,782	9,206	9,231	- 6.3%
Operating expenses	(5,713)	(5,484)	(5,469)	+ 2.8%
Operating income before provisions	3,070	3,722	3,762	- 19.4%
Income before tax	2,111	2,879	2,946	- 29.1%
Net income	1,361	1,953	2,006	- 32.9%

1. After taking into account IAS 19 revised standard and correction of the recognition of the investment in Banco Popular Español according ti IAS 8.
2. Change on a comparable period and consolidation scope basis compared to 2011 revised.

Retail banking is CM11-CIC Group's core business and accounts for nearly 75% of its net income. It includes the Crédit Mutuel local mutual banks, the CIC branches, Banque Européenne du Crédit Mutuel, CIC Iberbanco, the Targobank branches in Germany and Spain, Cofidis, Banque Casino and all the specialized businesses, whose product marketing is performed by the branch networks and which comprise insurance brokerage, equipment leasing and rentals with purchase options, real estate leasing, vendor credit, factoring, fund management, employee savings.

All of these businesses recorded satisfactory commercial performances in 2012. The increase in bank deposits, which was already robust in 2011, ranged between 6.5% and 28.8%. Loan outstandings also rose, albeit at a slower pace (0.5% to 13.7%).

Net banking income decreased from €9,231 million to €8,782 million as of December 31, 2012. This decline was caused by the compression in the net interest margin, given the high level of interest rates on regulated savings and the increased cost of refinancing in the markets (gradual extension of borrowing maturities). Net commission income in 2012 was comparable to the 2011 amount and accounted for more than one-third of this division's NBI. Insurance commissions totaled more than €940 million. Meanwhile, commissions received by the branch networks on remote banking, remote surveillance, real estate transactions and telephony totaled €215 million.

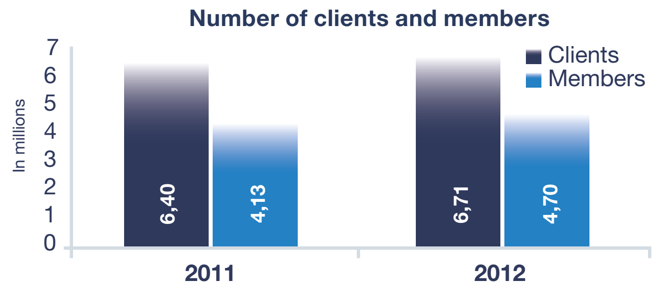
General operating expenses totaled €5,713 million, compared with €5,469 million in 2011. Net provision allocations/reversals for loan losses remained stable at €878 million. Net income was €1,361 million, compared with €2,006 million in 2011.

III.1.3.1.1 – The branch networks of CM11-CIC group

Crédit Mutuel 11 group

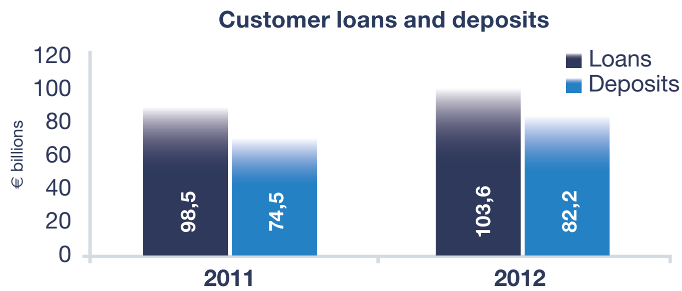
As of 1 January 2012, Crédit Mutuel Anjou joined the CM10 group, which together form the CM11 group. Constituted by the 11 Federations of Crédit Mutuel, by the local Crédit Mutuel banks that are members of the relevant Federation as well as the Caisse Fédérale of Crédit Mutuel, CM11 group continued to serve the needs of its customers : individuals, associations, self-employed pofessionnals and corporates.

The dynamism, the proximity and the quality of its product offer of sales offer had made it possible to increase the number of customers of 300 000 to reach 6.7 million at the end of 2012; the Federation of Crédit Mutuel Anjou bringing 248,000 customers to the new group.



Loan outstandings increased by €5 billion to €103.6 billion as of December 31, 2012. At constant scope, equipment loans and housing loans increased by 5.9% and 1.3%, respectively. Credit Mutuel Anjou brought a loan portfolio totaled nearly €3.4 billion.

Bank deposits increased by nearly €7.7 billion as of end 2012, including €2.8 billion from Crédit Mutuel Anjou, bringing total deposits to more than €82 billion. The "Livret Bleu" and other savings accounts recorded the strongest increases, rising by 13.2% and 14.3%, respectively.



As was the case for the overall retail banking segment, the mutual banking segment's NBI declined in 2012, falling from €3,007 million in 2011 to €2,919 million. The narrowing of margins following the increase in the cost of funds was not offset by the increase in net commission income (2.1% gross increase relative to 2011). The net commission income nevertheless accounted for 36% of NBI.

General operating expenses increased from €1,821 million in 2011 to €1,957 million last year, in part following the creation of 33 new points of sale, notably in the Ile-de-France, Mediterranean and Normandy regions. The actual net provision for known risks was €109 million, unchanged relative to 2011. It remains in check and represented only 0.10% of customer loans.

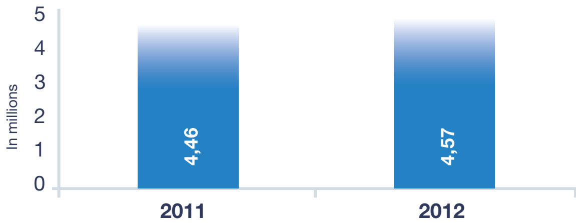
In an environment marked by slow economic growth and pressure on margins, net income totaled €566 million as of December 31, 2012, compared with €758 million in 2011.

CIC – The branch networks

CIC's bank networks consist of CIC's regional bank networks and CIC's network in Ile-de-France.

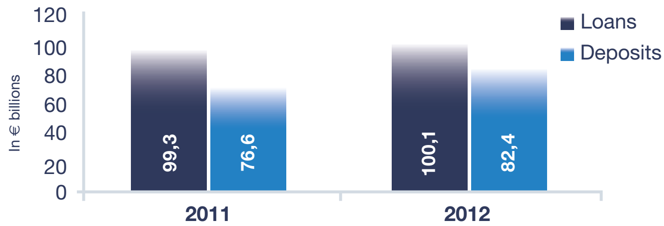
Retail banking also constitutes the core business of CIC, which continued to improve the quality of its banking network with the creation of 24 points of sale in 2012, notably in the Paris region, Brittany and southwestern France. This growth policy enabled CIC to add 100,000 new customers and surpass the 4.5 million threshold.

Number of customers



Credit outstandings totaled €100.1 billion, up €800 million relative to 2011. Bank deposits also trended upwards with a 7.5% increase to reach €82.4 billion at end-2012. Savings remained at a level comparable to that of 2011, i.e. €54 billion.

Customer loans and bank deposits



The banking network's NBI was €2,902 million in 2012, compared with €3,058 million the previous year. This decline was due to both the increase in the cost of funds as well as a decrease in the amount of net commission income. This latter income accounts for more than 45% of NBI. General operating expenses totaled €2.1 billion, while net provision allocations/reversals for loan losses for the retail bank came to €195 million (up €47 million).

The banking network's net income was €384 million, compared with €578 million in 2011.

Banque Européenne du Crédit Mutuel (BECM)

BECM complements the Crédit Mutuel mutual banks and works with the CIC branches in four main markets:

– large and mid-sized corporates,
– real estate development financing, mainly in the residential sector,
– real estate companies that manage rental properties of a residential, commercial or services nature,
– large order-givers with respect to payments, notably in the area of distribution, transportation and services.

By its market positionning, BECM also steers, on behalf of CM11-CIC group, the linked activities with the real estate professionals and the large order-givers with respect to payments of corporates.

Its activity is supported by a network of 50 branches (of which 3 in Germany, one in Saint-Martin and since during 2012, one in Monaco). It has more than 20,800 customers.

Loan outstandings totaled €10.4 billion at end-2012, up 3%. While investment loans were supported by a few acquisition transactions, operating loans were down, reflecting the sluggish status of customer order books.

Meanwhile, working capital requirements were kept in check and many companies have cash surpluses. This situation has a positive impact on the level of total funding, which increased by 16.4% to €8.5 billion. The continued efforts to take in new deposits led to a second consecutive year of robust increases in bank deposits, which rose by 28.8% last year.

As for financial results, the compression in the net interest margin was not entirely offset by the favorable increase in net commission income (gross increase of 21.9%), notably commission income on electronic money and means of payment. As a result, NBI totaled €193 million in 2012, compared with nearly €207 million the previous year.

Over the same period, general operating expenses increased as the branch network expanded. Net provision allocations/reversals for loan losses remained at a historically low level (0.12%). Net income was €66.6 million in 2012, compared with €90 million in 2011.

CIC Iberbanco

With its 21 branches in Ile-de-France, the greater Lyon region and the south of France (Bordeaux, Midi-Pyrénées and Languedoc Roussillon) and 122 employees, CIC Iberbanco acquired nearly 3,400 new customers.

Customer funds invested in savings products increased by 11% to €440 million. Across all lending categories, total outstandings were up 13.7% to €332 million. The insurance and telephony activities are trending favorably, with 14,000 and 2,679 contracts, respectively.

NBI increased by 16% to €19 million. Net income was €1 million in 2012, compared with €0.7 million the previous year.

Targobank Germany

With 343 points of sale, including 11 opened in 2012, and nearly 700 ATMs throughout Germany, Targobank has more than 6,650 employees and 3 million customers.

Loan outstandings continued to increase, rising by 1% to €10.1 billion in 2012. Deposits rose by nearly €1 billion (10%). The bank is taking steps to ensure that its funding and financial assets are well matched, such that the loan-to-deposit ratio was 96% at end-2012.

From a commercial perspective, Targobank continued to work on the development of simple products consistent with its core business. In order to expand its customer base, the bank added auto financing to its product line.

Targobank is also looking to stand out through innovation by offering its German customers the contact-free payment technologies developed by the Group. On August 1, 2012, therefore, the bank became the first financial institution to offer the mobile payment application developed by CM11-CIC in cooperation with the telecommunications operator E-Plus.

Targobank's NBI was €1,298 million in 2012, compared with €1,345 million the previous year. Thanks to stable expenses and a favorable trend in net provision allocations/reversals for loan losses, net income rose by 3.8% to nearly €275 million.

Targobank Spain

(proportionally consolidated subsidiary whose contribution in the consolidated financial statements detailed below represents 50% of its net income)

This general services bank, in which BFCM and Banco Popular Espanol each own a 50% interest, has 125 branches located in Spain's main hubs of economic activity and 235,000 customers, 80% of whom are individuals. It manages 152 ATMs and 125,000 debit/credit cards.

Loan outstandings, the majority of which were housing loans, totaled more than €1 billion. Bank deposits totaled €787 million, including 59% in term accounts.

NBI remained essentially unchanged at €41 million in 2012. The increase in general operating expenses and a significant rise in net provision allocations/reversals for loan losses – mainly due to the application of Royal Decree laws – weighed on net income, which was €0.2 million in 2012, compared with €10 million the previous year.

III.1.3.1.2 – Retail banking specialized businesses

These businesses include the specialized subsidiaries that market their products using their own online sites and/or through the CM11-CIC Group mutual banks and branches: consumer credit, factoring, receivables management, leasing, fund management and employee savings.

They generated NBI of €1,421 million in 2012, compared with €1,479 million the previous year. The consumer credit division accounted for 82% of this activity.

Consumer credit

Cofidis group

Cofidis Group, which is jointly held with 3Suisses International, creates, markets and manages an extensive line of financial services such as consumer credit, payment solutions and banking services (sight accounts, savings, online trading and investments). In that regard, it has three brands specializing in the marketing of financial products and services:

- Cofidis, a European online credit specialist based in France, Belgium, Spain, Portugal, Italy, Czech Republic, Hungary and Slovakia;
- Monabanq, the CM11-CIC Group's online bank;
- Créatis, a consumer credit consolidation specialist.

Financings rose slightly by 1%, even as consumer credit declined in France, Spain and Portugal, the Group's main markets.

NBI contracted by 5.7% to €1,067 million despite the 1.2% increase in loan outstandings. This decline was due to the lowering of interest rates charged to customers, itself a result of the drop in usury rates on revolving credit in France. For these types of credits, the average customer interest rates are below those of revolving credits despite the increase in new loan approvals since the beginning of the year.

General operating expenses increased by €24 million to €531 million notably as a result of the IT convergence project, which requires investments in the short term.

Net provision allocations/reversals for loan losses contracted by a significant 9.4%, the third consecutive year of declines. The risk prevention initiatives (granting process) are proving effective.

Net income totaled €108.6 million in 2012, compared with €152.8 million in 2011.

Sofemo group

This company focuses on installment payments and the development of vendor credit. It has 142 employees and more than 476,000 customers.

Loan production totaled €603 million in 2012, compared with €745 million the previous year. Net customer loan outstandings were stable at €1.1 billion.

Financial results were impacted by the relatively unfavorable economic environment. NBI contracted by 9.4% to just under €61 million. Net income was €13.4 million, compared with €15.1 million in 2011.

Banque Casino

(proportionally consolidated subsidiary whose contribution in the consolidated financial statements detailed below represents 50% of its net income)

The bank, which has been jointly held alongside Casino Group since July 2011, distributes credit cards, consumer credit and insurance products in the Géant Casino hypermarkets, Casino supermarkets and through the C-Discount vendor site.

After a first half of 2012 marked by the bank's integration into the CM11-CIC IT systems and procedures, its production and profitability indicators rebounded sharply upward in the second half even as the bank was able to tightly control its risks. NBI increased by €38.8 million in 2012, compared with €30.9 million the previous year. Net provision allocations/reversals for loan losses declined by €4 million, although the increase in general operating expenses related to the IT migration project weighed on the net result, a loss of €3 million.

Factoring and receivables management

CM-CIC Factor is the CM11-CIC Group's business center for receivables financing and management. It provides short-term financing for companies, in France and abroad, with a line of factoring and assignment solutions for disclosed trade receivables.

In the factoring segment, CM-CIC Factor increased its market share for the fourth consecutive year. Purchased receivables increased by 11.9% to €16.3 billion, commercial production was nearly €4.5 billion and gross credits outstanding rose by 9% to €2.6 billion. This activity has more than 3,000 active clients. The business development with the partner banks, a key priority, generated €20.3 million in commissions.

In spite of an unstable economic situation, the financial year presented a low and controlled cost of the risk (0.1% of the gross outstanding).

For receivables management, the year was marked by a 7% increase in inflows to €2 billion for 316,483 invoices processed. Commission payments to partner banks totaled €11.1 million.

In 2012, NBI of CM-CIC Factor amounted to €69.8 million against €74.1 million in 2011 because of erosion of commissions in the factoring business and the significant impact of the reduction of rates on the financial products.

Net income totaled €5.2 million compared with €12.3 million in 2011.

Leasing

CM-CIC Bail

Despite a less dynamic investment financing market than in 2011, CM-CIC Bail continued to grow in 2012, with more than €3.6 billion in new leases written. This growth was driven by the branch networks, the auto segment and partnerships.

Efforts to optimize customer satisfaction continued throughout the year with the deployment of new processes. These included: a streamlined process for lease requests, with very rapid application and response times as well as enhanced productivity through electronic document management; product offers integrated into the consumer credit financing software; simplified and improved financing solutions for farm equipment directly with manufacturers and dealers; the development of a product line at the European subsidiaries.

Thanks to positive development of the outstandings and refinancing rates definitely lower than the previous year, profitability has risen significantly. NBI amounted to €55 million against €42 million in 2011. The net recoveries on doubtfull debts also reinforced the net income which increases by €4.2 million to €20 million at the end of 2012.

CM-CIC Lease

In 2012, CM-CIC Lease recorded a slight increase in the number of real estate lease transactions for Crédit Mutuel-CIC customers. New financing agreements signed amounted to 314 (a 1.9% increase) for a total volume of €581 million, which reflected a 14% decrease due to lower average transaction amounts.

CM-CIC Lease has made improved customer satisfaction in acquisitions and project management a priority. In 2012, it renewed a major training program designed to enhance the efficiency of its staff, which resulted in a stronger presence as lead lessor in syndicated lease transactions (47.9% of cases compared with 39.4% in 2011).

Total outstandings, including committed transactions (off-balance sheet) grew by 6.2% to more than €3.6 billion. Of this total, 72% involve commercial, industrial and warehouse facilities in roughly equal measure, while the balance comprises facilities in a range of other sectors: office space, hotels, leisure, education and healthcare.

Commissions paid to the various group networks amounted to nearly €15 million, representing an increase of 1.2%. Net income totaled €2.5 million.

Fund management and employee savings

CM-CIC Asset Management

In 2012, CM-CIC Asset Management, the business center for the Group's asset management and France's fifth-largest asset manager, recorded 13% growth in assets under management to €57.8 billion.

This increase was mainly due to additional inflows of €6.3 billion on low-risk assets. Despite historically low interest rates in the second quarter, money market funds continued to post strong gains through subscriptions by companies and institutional investors. As a result, CM-CIC Asset Management was France's third-leading asset manager in terms of net inflows in 2012.

As for equity mutual funds, CM-CIC Asset Management's performance was in line with the overall French market. Showing their aversion to risk, investors largely fled this asset class and missed out on the market rebound. The decline nevertheless remained limited thanks to the sizeable gains in market valuations. Outstandings therefore increased by nearly €90 million.

To get the benefit of an attractive return that is less susceptible to a potential rise in interest rates, CM-CIC AM launched Union Obli High Yield 2015 in the bond segment, a combination of high-yield bonds and staggered maturities. Targeting individuals, CM-CIC successfully launched defined-maturity mutual funds. These include: Union Obli 2020, eligible for life insurance investments, which was launched in April and already up to nearly €100 million in outstandings by end-December; Union Indiciel Chine, an emerging market index fund eligible for French equity savings plans (PEA) that enables investors to benefit from the returns and rapid growth in the Chinese market.

In 2012, CM-CIC Asset Management worked closely with the networks to plan for the future and take advantage of opportunities to develop its assets under management. Some of these efforts are listed below:

– formula-based funds, which have become more suitable for wealth management, making it possible to take advantage of market trends. Dynamique Europe December 2018, for example, had better-than-expected net inflows at year-end. Two others of the same type were already repaid in the last quarter, with annualized returns of close to 8% and 10%.

– regular events focusing on "Bonds" and "Equities", where individuals and investors can learn more about thematic equity funds such as Union Europe Growth, CM-CIC Or et Mat, CM-CIC Mid France (which became Union Mid Cap in early 2013) or bond funds such as the highly ranked and award-winning Union Obli Moyen Terme.

– new market development targeting individual investors in Germany through Targobank, with a new sales policy integrated into this subsidiary's own units and operating methods, and two funds created under the Crédit Mutuel name, which are off to promising starts in 2013. Meanwhile, working with BECM in Frankfurt in the institutional investor market, seven interest rate funds, which are feeder funds of CM-CIC AM funds, were launched in late 2012.

– a joint study with several Group entities on the organization of the financial business lines, which resulted in the CM-CIC Investor Services project, with cross-training of a specialized sales staff (mainly custodians, depositories, valuers and issuer services).

– a strengthening of the role of accounting services provider, with the valuation of 950 internal and external collective investment undertakings (of which 75 third-party asset management companies).

NBI totaled €47.7 million and net income amounted to €0.9 million.

CM-CIC Epargne salariale

At year-end 2012, CM-CIC Epargne Salariale, the employee savings business center for CIC and Crédit Mutuel, had €6,153 million in managed savings (+ 9.2%), 62,484 corporate customers (+ 7%) and 1,402,486 employees with savings under management.

The growth in assets under management was largely due to increased valuations of equity and bond company mutual funds (FCPE), inflows for money market FCPEs and the growth in the customer base achieved over the past few years. As a result CM-CIC ES moved up from fifth to fourth place in the rankings of employee savings managers as of June 30, 2012 (Source AFG).

Sales activity was down compared with 2011. The volume of new business suffered from the absence of any significant incoming transfers in the large corporates segment, and the number of new contracts sold fell by 15.3% to 12,600. The economic, financial and tax environment, particularly the increase in the corporate contribution (forfait social), also favored withdrawals, which were up by 8.3% and weighed on contributions, which were down by 7.8%.

This past year saw significant capital expenditure on information technology aimed at enhancing services to companies and savers.

NBI totaled €20 million and net income amounted to €2.1 million.

Other

Crédit Mutuel-CIC Home Loan SFH

Last year, in a market that was particularly tight at the beginning of the year before gradually benefiting from the measures undertaken by the ECB (the second LTRO in February and the OMT in July), Crédit Mutuel-CIC Home Loan SFH accounted for 26% of the contribution to CM11-CIC Group's medium- and long-term refinancing.

Two public issues were carried out:

– €1,250 million over 12 years in January in a challenging market environment and without support from the ECB,

– $1,000 million over five years in November through a Rule 144A private placement 70% of which was sold to U.S. investors.

III.1.3.2 – Insurance, the second business line

In € millions	2012	2011 [1]	Change
Net banking income	1,412	967	+ 46.0%
Operating expenses	(356)	(351)	+ 1.2%
Operating income before provisions	1,056	615	+ 71.6%
Income before tax	1,015	615	+ 65.0%
Net income	603	421	+ 43.3%

1. Immaterial impact by IAS19 revised.

Crédit Mutuel created and developed bankinsurance starting in 1971. This longstanding experience now enables the insurance activity, which is carried out through Groupe des Assurances du Crédit Mutuel (GACM) – in particular ACM Vie SA, Serenis Vie, ACM IARD, Serenis Assurances, Partners en Belgique, ACM Ré et ICM Life au Luxembourg – to be fully integrated into CM11-CIC Group both commercially and technically.

In 2012, GACM strengthened its international presence with the acquisition of Agrupacio Mutua, thereby opening up new growth potential in Spain and providing the Targobank Spain and RACC Seguros branch networks with a comprehensive line of products. Through this new subsidiary, GACM bolsters its know-how in healthcare and is well positioned for the future and the fundamental changes on the horizon for supplementary healthcare coverage.

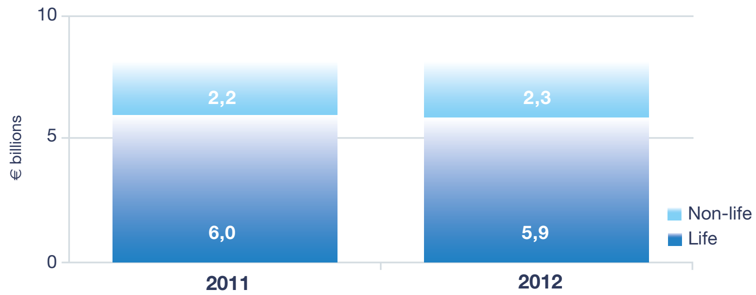
Despite a still uncertain economic environment, GACM maintained its positions and continued to expand its business in France and abroad.

In terms of activity, the drop in savings rates and increase in the ceiling on savings accounts weighed on life insurance and capitalization products, thereby limiting the increase in consolidated insurance revenues to 0.7% (€8.2 billion) in a market that was down 4% overall.

Premium income on life insurance and insurance-based savings products fell by 2%, but the net intake remained positive and contributed to the increase in assets under management (+ 3.7%).

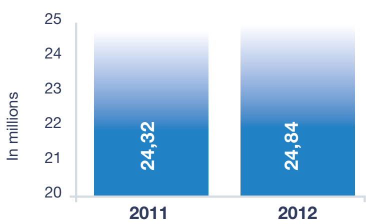
With its revenues up more than 5.2%, property and casualty insurance continued to be a growth driver. The auto and home insurance segments outperformed the market average with gains of 7.7% and 8.8%, respectively. Personal insurance increased by 3.3%, driven by personal protection and borrower's insurance.

GACM revenues breakdown

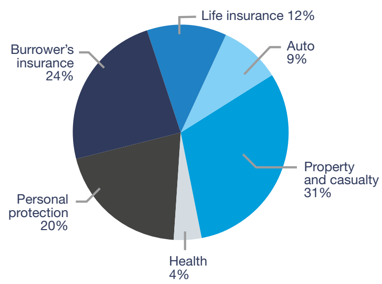


Consolidated insurance revenues totaled €8.23 billion in 2012, compared with €8.16 billion the previous year. GACM had nearly 7.9 million policyholders subscribing more than 24.8 million contracts in 2012, compared with 7.7 million policyholders and 24.3 million contracts the previous year.

Number of insurance policies



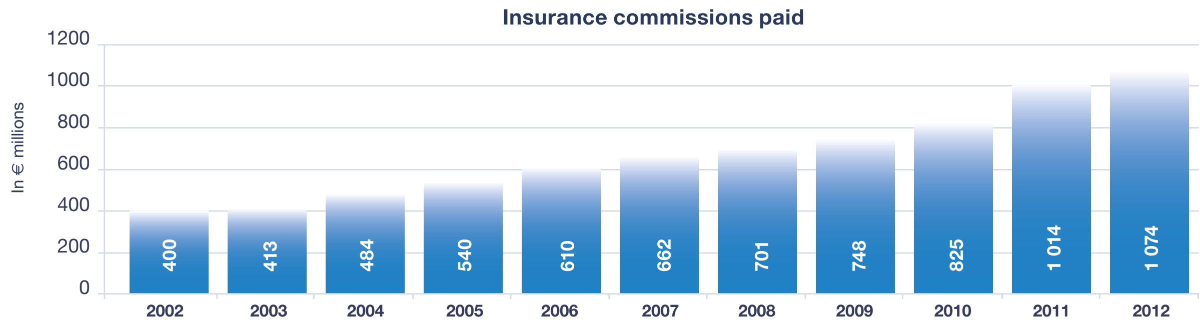
Breakdown of contracts by segment



Thanks to a generally favorable claims trend and despite the February 2012 cold snap, underwriting income in the property and casualty segment continued to perform well.

Net income from insurance activities totaled €1,412 million in 2012 (compared with €967 million the previous year) after €1,074 million in commissions paid to the branch networks.

Net income was €603 million in 2012, compared with nearly €421 million the previous year despite the higher tax burden.



GACM's shareholders' equity totaled €7.6 billion, up 12.7%. Its sound balance sheet enables it to take up new challenges with full confidence, notably those involving compliance with Solvency 2, whose impacts have not yet been entirely defined.

III.1.3.3 – Corporate banking

In € millions	2012	2011 [1]	Change
Net banking income	324	485	- 33.1%
Operating expenses	(92)	(83)	+ 11.0%
Operating income before provisions	232	401	- 42.3%
Income before tax	171	369	- 53.5%
Net income	131	239	- 45.3%

1. Immaterial impact by IAS19 revised.

This business line covers the financing of large corporates and institutional customers, value-added financing (project and asset, export, etc.), international activities and financing provided by foreign branches. In 2012, the division managed €13 billion in loans (- 15.8%) and €5.6 billion in deposits (+ 25.9%).

NBI contracted from €485 million in 2011 to €324 million last year as a result of lower margins resulting from efforts to boost customer deposits and to better match up asset and liability maturities. The overall net provision allocations/reversals for loan losses increased by €28 million to more than €60 million. However, the actual net provision for known risks (i.e. excluding collective provisions) remained stable at €49 million. Net income thus came to €131 million in 2012, compared with €239 million the previous year.

III.1.3.3.1 – Large accounts: large corporates and institutional investors

After being highly restricted at the end of 2011, access to liquidity gradually eased in the first half of 2012. At the same time, however, demand for bank financing by large corporates contracted as a result of their positive cash position and their continued proactive policy of disintermediation, prompting them to turn increasingly to a fast-growing bond market.

Crédit Mutuel-CIC Group's close relations with its customers enabled it to play an active role in numerous issues.

At the same time, the Group continued its policy of supporting customers as evidenced by the growing volume of bilateral loans issued in 2012 at the expense of syndicated financing, which decreased significantly.

Crédit Mutuel-CIC Group's sound financial position enabled further growth (more than €5.7 billion) in overall deposits by large corporates and institutional investors.

The sales activity continued to focus on the development of cross-functional know-how, as evidenced in particular by the creation of collective retirement savings plans (Plans d'Epargne pour la Retraite Collectif - Perco), the winning of retirement bonus management contracts in the payroll engineering area and Cofidis' launch of mobile telephone financing for some customers.

The Group continued its expansion into means of payment. It continued to win a growing number of requests for proposals by large corporates, and in particular institutions, as they adopt means of payment. It is also developing increasingly sophisticated technological products, which are enabling innovative and/or European-scale electronic money solutions.

III.1.3.3.2 – Specialized financing

Results were negatively affected by the halt in new USD transactions toward the end of 2011 and in the fi rst quarter of 2012. Activity picked up appreciably in the second half of the year, albeit not enough to offset this effect.

Financing of acquisitions

The CM-CIC group supports its customers in their plans for business transfers and external growth and development by offering its expertise and know-how in structuring the most appropriate fi nancing for each type of transaction.

The level of business activity was good in the fi rst half, but weakened in the second half of the year. New business was undertaken with particular attention being paid to risk/reward ratios. The group was careful to maintain a balanced positioning across the different types of transactions (corporate acquisitions, transactions with a fi nancial sponsor, family and wealth transfers). The teams were attentive and effective in managing the risks involved in syndication.

As regards the portfolio, the deterioration in the environment was refl ected in counterparties' operational performances, notably in the last six months of the year. As a consequence, the cost of risk increased, while still remaining under control.

Asset finance

The year was marked by a fall in activity in all the traditional business lines, mainly due to the problems in the shipping sector and the difficulty of accessing US dollar liquidity in the first half of the year. The group nonetheless continued to support its customers in their financing needs. Margins for prime counterparties continued to narrow in spite of reduced interbank competition resulting from the withdrawal or significantly reduced activity of historically major (notably European) players in these markets. Tax-based structured financing transactions, particularly with China and Turkey, continued to receive priority attention and contributed signifi cantly to the generation of commissions.

New York and Singapore continued to develop along their established paths, and their contribution represented a significant portion of total new business, which was evenly spread among the overseas offices and Paris.

Project finance

In 2012 the market was affected on the one hand by the scarcity of non-euro resources and the high cost of long-term liquidity, and on the other by a slowdown in demand in certain geographical regions. The gap left by certain European teams retreating to their home markets was quickly fi lled by other players, and the volume of activity proved satisfactory.

In this context, the project team strengthened its presence with the group's major customers.

International and foreign branches

The main focus of CM11-CIC group's international strategy is to support customers in their international development, with a diversified offering tailored to companies' needs.

Through CIC Développement International, CM-CIC Aidexport and CIC's branches located in London, New York, Singapore, Hong Kong and Sydney, CM11-CIC group has the tools to fulfill this goal.

Support for customers abroad is underpinned notably by strategic partnerships with the Bank of East Asia in China, with Banque Marocaine du Commerce Extérieur and Banque de Tunisie in North Africa, and with Targobank and Banco Popular in Spain.

III.1.3.4 – Capital markets

In € millions	2012	2011 [1]	Change
Net banking income	603	401	+ 50.4%
Operating expenses	(196)	(173)	+ 13.4%
Operating income before provisions	407	228	+ 78.5%
Income before tax	383	112	+ 241.9%
Net income	230	61	+ 277.0%

1. Immaterial impact by IAS19 revised.

The capital markets activities of BFCM and CIC are combined in a single entity, CM-CIC Marchés, which performs CM11-CIC's refinancing and commercial and investment banking activities from offices in Paris and Strasbourg along with branches in New York, London, Frankfurt and Singapore.

These transactions are recorded on two balance sheets:

– at BFCM, for the refinancing business,

– at CIC, for the commercial and investment banking businesses in fixed-income, equity and credit products.

The capital markets activities also include a stock market brokerage activity provided by CM-CIC Securities.

In 2012, NBI totaled more than €603 million, up from €401 million the previous year. General operating expenses increased by more than €23 million (+13.4%), mainly as a result of changing tax and social security regulations. Net provision allocations/reversals for loan losses, which in 2011 included the cost of provisioning Greek sovereign debt risk, contracted by €92 million in 2012 to €24.5 million. Net income totaled €230 million in 2012, up from €61 million the previous year.

With the steadily improvement of loans to deposits ratio in previous years, CM11-CIC group has reduced its dependence on the money market, but the refinancing division remains a major item in the overall management of the group.

III.1.3.4.1 - Refinancing

In 2012, the refinancing of the group was carried out in a market environment that was calmer overall, but marked by two distinct phases. The first part of the year, in line with 2011, passed in a somber climate marked by the continuing serious sovereign debt and banking crisis in Europe, which required a second LTRO in February. Later, progress on the political front, plus the complementary measures (OMT) taken by the ECB in the summer, restored investors' confidence and strengthened their belief in the permanence of the euro zone.

Thanks to its mainly customer-oriented strategy (retail banking and insurance) and solid fundamentals, CM11-CIC was able to retain its good international ratings, ensuring a particularly warm welcome on the part of lenders throughout the year.

The reduction in market borrowings, brought about notably by striving to improve the ratio of loans to deposits, was also reflected in a reduced need for medium- and long-term issues to external investors (€11.2 billion compared with €18.2 billion in 2011).

The drive to diversify resources at these maturities continued:

– submission of US144A documentation for Crédit Mutuel-CIC Home Loan SFH aiming at a year-end first issue in the US market;

– further issues in Japan (Samurai and Uridashi) for a total of ¥37 billion with two, three, and five year maturities;

– issue of a $435 million CLO to refinance part of the New York branch's acquisition financing;

– communication campaigns aimed at international investors in accordance with the original timetable.

Overall, short-term resources (net) represent no more than 30% of total market fi nancing raised as at December 31 (37% at year-end 2011). The group has therefore appreciably reduced its dependence on the money market, and could now withstand total shutdown of the market for more than 12 consecutive months, thanks to its holdings of assignable, ECB-eligible liquid assets.

The composition and fine-tuning of this reserve is very closely monitored, and a precise action plan has been established in order to respond in a timely manner to the requirements of the future Basel III liquidity ratios.

III.1.3.4.2 – Business development

The French sales teams are based in Paris and the main regional cities. They offer network customers and large corporates solutions for hedging their risks (interest rate risk, currency risk, commodities risk), for refinancing (particularly commercial paper) and classic or structured investments. In this last area, the sales executives are armed with an original and proven offering as a direct result of their expertise in "fixed income/ equities/credit" investment. These activities showed good growth in 2012.

III.1.3.4.3 – Fixed income / equities / credit investment

The teams' objective is to improve the group's profitability by means of investments made within a well-defined framework of limits. Essentially this concerns the purchase and sale of financial securities acquired with the intention of holding them for investment, and transactions involving financial instruments linked to these securities.

In 2012, the financial markets were characterized by:

– pressure on credit spreads, especially sovereigns, at the beginning of the year;
– favorable economic policies at European level in the second half of the year, with confirmed assistance for Spain's banking sector;
– abundant liquidity throughout the year.

In this context, positions were managed cautiously. Results of capital markets activities, in France and in New York, improved compared with 2011. Alternative investment products offered to customers performed well. Stork, the main alternative investment fund, posted a performance of more than 15%, and overall assets under management showed a slight increase.

III.1.3.4.4 – Stock market intermediation

Acting as a broker-dealer, clearing agent and custodian, CM-CIC Securities meets the needs of institutional investors, private asset management companies and corporates. As a member of ESN LLP, a "multi-local" network of nine brokers operating in eleven European countries (Belgium, Cyprus, Finland, France, Germany, Greece, Italy, the Netherlands, Portugal, Spain, and the United Kingdom), and as majority stockholder of ESN North America (USA and Canada), it is able to trade for its customers on all European and North American equity markets as well as numerous emerging markets.

CM-CIC Securities has 30 analysts and 31 strategists based in France, 30 salespersons in Paris and Lyon, four in London, and nine in New York (ESN North America). It also has five salespersons for index-linked, equity and agricultural commodities derivatives, the latter relating to the Préviris service for hedging wheat, rape and corn harvests, as well as nine salespersons and traders for traditional and convertible bonds. Furthermore, the company has a quality research facility for US and Canadian equities and commodities at its disposal.

In 2012, CM-CIC Securities held more than 300 company and analyst presentations (road shows) and seminars in France and abroad.

As a securities custodian, CM-CIC Securities serves 114 asset management companies and administers 27,715 personal investor accounts and 288 mutual funds, representing €16.4 billion in assets. The investment undertaking welcomed five new asset management companies, an acknowledgment of its teams' know-how, the quality of its account-keeping software and the financial strength of CM11-CIC.

CM-CIC Securities, through its CM-CIC Corporate department, is the group's business line center for financial transactions. Partnership agreements with all ESN members have extended its stock market operations and merger and acquisition activities throughout Europe. In 2012, it took part in 25 bond issues, in 17 of them as book runner. In parallel with this, the team also contributed to the surge in private bond placement transactions, it handled an IPO and capital increases and lastly, it organized delistings.

The department also provides issuer services (financial communication, liquidity contracts and stock buybacks, financial secretarial and securities services).

Net banking income of CM-CIC Securities for 2012 was €46.7 million.

III.1.3.5 – Private banking

In € millions	2012	2011 [1]	Change
Net banking income	463	431	+ 7.3%
Operating expenses	(334)	(317)	+ 5.5%
Operating income before provisions	129	115	+ 12.4%
Income before tax	106	85	+ 24.6%
Net income	79	68	+ 16.9%

1. Immaterial impact by IAS19 revised.

This segment develops know-how in financial management and estate planning, which is provided to business owners and their families and private investors, and includes companies focusing in this area.

The companies do business in France through CIC Banque Transatlantique and Dubly-Douilhet SA as well as abroad through the subsidiaries Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium, Banque Transatlantique Londres, Banque Pasche and CIC Private Banking in Singapore.

In 2012, the business line was managing €15.8 billion in bank deposits (up 7.8% year on year), and €7.5 billion in loans, thereby generating €8.2 billion in surplus funds made available to the CM11-CIC Group. Savings totaled €81.7 billion in 2012.

NBI rose by 7.3% to €463 million thanks to the satisfactory net interest income performance, which offset the decline in commission income. Net provision allocations/reversals for loan losses, which were still affected by a residual holding of Greek sovereign debt in the first quarter of 2012, fell by nearly €14 million to €28.8 million. Net income rose by nearly 17% to €79.4 million.

Banque Transatlantique group

2012 was a record year in terms of growth in assets under management, which increased by 62% to reach €17.1 billion. This performance was achieved thanks to the dynamism of the sales teams and the clinching of a number of major deals.

Net banking income amounted to €89.4 million and net income was €18.3 million.

Dubly-Douilhet

Dubly-Douilhet is an investment company specializing in discretionary portfolio management for high net worth customers in northern and eastern France. In 2012 its products held up well in the crisis, and cash remuneration improved.

Net banking income amounted to €8 million and net income was €1.6 million.

Dubly Douilhet will join the Crédit Mutuel-CIC group's IT platform in 2013 and will then become an AMF-authorized asset management company, delegating account keeping and custody to CIC Banque Transatlantique and the UCITS depository function to BFCM.

Banque CIC Suisse

As both a private and a commercial bank, always able to provide personalized service, and with an extensive offering (rounded out in 2012 by a leasing capability), it saw the number of customers increase.

Net banking income amounted to €70.6 million and net income was €6.9 million.

Banque de Luxembourg

In a spirit of continuity, and despite the diffi cult economic context, Banque de Luxembourg continued to develop its private banking and asset management activities and services for asset management and fund professionals. The bank continued to strengthen its positioning in Luxembourg, as well as in the neighboringcountries, notably through its two offi ces in Belgium. At the end of 2012 it announced the acquisition of the private banking business of Lloyds TSB's Luxembourg branch.

Net banking income amounted to €252 million and net income was €66.1 million.

CIC-Banque Pasche

The bank successfully serves customers on all five continents with a line of open-architecture products and services.

Net banking income amounted to €30 million in 2012.

Succursale CIC Singapour et CICIS Hong Kong

Since 2002, CIC has carried on its private banking business in Asia from Hong Kong and Singapore, both financial centers that have become leaders in this fi eld. In 2012, the first eight months saw a good level of activity, with investors regaining interest, notably in the bond markets. However, the return of liquidity and falling spreads caused a freeze in business toward year-end.

Overall, assets under management increased by 17%.

III.1.3.6 – Private equity

In € millions	2012	2011 [1]	Change
Net banking income	100	93	+ 7.6%
Operating expenses	(34)	(34)	+ 1.4%
Operating income before provisions	66	59	+ 11.1%
Income before tax	66	59	+ 10.9%
Net income	67	57	+ 18.0%

1. Immaterial impact by IAS19 revised.

Private equity represents a key division in the Group's commercial strategy by helping to strengthen the equity capital of Crédit Mutuel and CIC's business customers over the medium to long term (seven to eight years). This business activity is carried out by CM-CIC Capital Finance, which has its head office in Paris and satellite offices in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thereby ensuring close ties to customers. As of 31 December 2012, the portfolio consisted of 497 equity investments in companies and a few investment funds.

In a difficult economic situation, particularly from the summer on, and a context hardly conducive to value creation in business, the division invested during 2012 nearly €200 million in 118 companies. As of 31 December 2012, total assets under management represented €1,650 million of which 83% are invested in unlisted securities.

Net banking income of CM-CIC Capital Finance and its subsidiarie amounted to €100 million as of 31 December 2012 compared with €93 million in 2011. Net income totaled €67 million, up 18%.

III.1.3.7 – Logistics

In € millions	2012	2011[1]	Change
Net banking income	1,240	1,109	+ 6.3%
Operating expenses	(1,093)	(960)	+ 8.0%
Operating income before provisions	147	149	- 4.5%
Income before tax	136	132	- 0.6%
Net income	80	66	+ 21.2%

1. Immaterial impact by IAS19 revised.

The "Logistics" division includes purely logistical entities: intermediary holding companies, operating properties integrated within specific companies, the group IT companies, El Telecom, Euro protection Surveillance and the press division.

Net banking income from the logistics and miscellaneous activity totaled €1.240 million, compared with €1.109 million one year earlier, consisting of trading margins for the IT, telephone and monitoring companies, CM-CIC Services revenues, the net banking income of the Targobank Germany and Cofidis logistics subsidiaries and the trading margin of the press division.

Overall, the entities making up this logistics activity generated net income of €80 million in 2012 (€66 million in 2011).

El Telecom (EIT)

EIT operate generated in an extremely fierce competitive environment following the arrival at the beginning of the year of the fourth operator, Free Mobile, which increased the churn rate among Free's predecessors and led to a significant decline in ARPU (Average Revenue Per User). In this context, EIT not only retained but slightly expanded its active customer base with over 1.1 million of subscribers.

In parallel to this, EIT built and implemented a "full MVNO" technical architecture in 2012. This architecture ensures the infrastructure operator's technical and marketing independence in the future and its stronger bargaining power among the various operators from which EIT buys its traffic.

A the end of 2012, net income amounted to €7.8 million.

Euro Protection Surveillance (EPS)

EPS continues to expand in 2012 and has more than 283,000 subscribers giving EPS a market share of 31% (Source : Atlas de la sécurité 2012 / Internal data).

As of 31 Decembre 2012, net income reached €12 million.

III.1.3.8 – Holding

The Holding company, which has no operational activities, oversees and coordinates the activities of the subsidiaries.

At December 31, 2012, this activity had a negative net banking income of €870 million and a negative income of €729 million. These figures include the cost of refinancing Targobank Germany, the shortfall in working capital of BFCM, Targobank and Cofidis goodwill amortization, the Credit Mutuel and CIC business development plans and the impairment of the equity interest in BPM.

III.2 – Recent developments and outlook

While contending with a number of challenges – economic and social, technological, competitive and regulatory – the CM11-CIC group has set:

– one priority: to pursue its growth and development,
– one necessity: to adapt,
– one requirement: to maintain its identity.

It will also continue its efforts to strengthen its independence from the financial markets by focusing on bringing in new deposits while continuing to finance the projects of companies and individuals.

With its deep roots and the commitment of its directors and employees, CM11-CIC group continues to affirm its mutual banking difference, both regionally and nationally, by staying close to its members and customers.

III.3 – Risk report

This section sets out the information required by IFRS 7 regarding risk exposures arising from financial instruments.

The figures provided in this section have been audited, except for those contained in sections specifically marked with an asterisk(*), which have been checked for accuracy and consistency as stipulated in Article L.823-10 of the French Commercial Code, as has the rest of the board of directors' report.

Periodic and permanent control functions and a compliance function provide strict oversight of processes across all business activities.

The risk management department consolidates overall risk control and optimizes risk management with respect to the regulatory capital allocated to each business and return on equity.

III.3.1 – Credit risk

III.3.1.1 – Organization of the lending unit

In accordance with applicable regulations, the lending unit is organized mainly around the two following mechanisms:
– loan origination procedures; and
– risk assessment, the monitoring of commitments and management of at-risk items.

The lending unit and exposure management are organized based on a single set of guidelines that prescribes the rules and practices applicable within the group.

III.3.1.1.1 – Loan origination procedures

Loan origination is based on know-your-customer, risk assessment and commitment decision procedures.

Know-your-customer

The group relies on the close ties it has established in the communities in which it operates as the basis for obtaining information about existing and prospective customers, which the group places into several risk-based categories that help determine the targeting of marketing efforts. A loan file is prepared to support the loan origination process.

Risk assessment

Risk assessment is based on several analyses performed at different stages in the lending cycle including, in particular:
– customer ratings;
– risk groups; and
– the weighting of products in accordance with the type of risk involved and collateral and guarantees pledged.

The relevant group employees receive periodic training on risk management and assessment.

Customer ratings: a single system for the entire group

In accordance with the applicable regulations, the group's internal customer rating system is at the core of the group's credit risk procedures, which is used in determining approval, payment, pricing and monitoring. All loan origination decisions are based on the counterparty's rating. The lending unit approves the internal ratings of all loan files for whch it is responsible.The group has developed rating algorithms and expert models to improve its credit risk assessment and to comply with the regulatory requirements concerning approaches to internal rating.

This rating system is common to the entire Crédit Mutuel group.

The Confédération Nationale du Crédit Mutuel (CNCM) is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and application acceptance tests.

The group's counterparties that are eligible for internal assessment are rated by a single system.

Models (algorithms or grids) are used to differentiate and correctly classify risk. The assessment scale reflects the manner in which the risk changes and is broken down into nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and three default positions (E-, E= and F).

Monitoring of the rating models focuses on three aspects: stability assessment, performance and additional analyses. CNCM is responsible for this monitoring, which covers each rating model.

Risk groups (counterparties)

Individuals or legal entities that are related in such a way that if one of them encounters financial problems it is likely that the others will follow are considered as a single beneficiary.

The risk groups are established based on a procedure that incorporates the provisions of Article 3 of CRBF regulation 93-05.

Product and guarantee weightings

When assessing the counterparty risk, the Group may apply a weighting of the nominal commitment, based on a combination of the loan type and the nature of the guarantee.

Loan origination process

The loan origination process is essentially based on:
– a formalized risk analysis of the counterparty;
– the internal rating applied to the counterparty or group of counterparties;
– whether the loan falls below the relevant cap;
– review of the loan file by a separate team under the group's dual review principle;
– whether the loan falls within maximum discretionary lending limits that have been determined in proportion to the local lending bank's equity;
– whether the interest rate and other fees are adapted to the risk profile of the loan and capital consumption.

The group uses an automated decision-making circuit is automated conducted in real-time. Immediately upon completion of a loan application, the electronic loan file is automatically transmitted to the applicable decision maker at the appropriate level.

Approval levels

The customer relationship manager is responsible for ensuring the completeness, quality and reliability of the information collected. In accordance with Article 19 of CRBF regulation 97-02, the manager compiles loan files intended to formalize all qualitative and quantitative information on each counterparty. The manager checks the reliability of the information gathered either with customers or using any external means (sector studies, annual reports, legal information and rating agencies) or internal means at the manager's disposal. Each customer relationship manager is responsible for any decision the manager takes or causes to be taken and is endowed with personal approval powers.

For loan files whose amount exceeds the personal approval powers, the decision falls to a Loan Origination Committee whose operating rules are set by procedures.

Approval powers reflect a range of commitment caps based on:
– the rating;
– the total amount of commitments for a given counterparty or risk group, weighted where relevant depending on the type of loan concerned or the eligible guarantees;
– any specific exclusions.

Role of the lending unit

The lending unit is present at various operational levels. Coordination of the unit and involvement in the key tasks and files are exercised from Strasbourg (CM) and Paris (CIC). Specialized teams located in the regional departments and in each regional bank also provide a regional presence wherever the CM11-CIC operates.

The lending unit has two key roles and is therefore split into two independent teams, whose responsibilities are as follows:
– one team is responsible for checking that the loan origination decisions are appropriate based on the dual review principle while verifying that the expected return is commensurate with the risk taken;
– the other team is responsible for prudential oversight and credit risk assessment arrangements, and also for the performance of permanent controls.

III.3.1.1.2 – Risk assessment, commitment monitoring procedures and management of at-risk items

In accordance with the applicable regulations, the group's commitments are monitored by national and regional entities.

Risk assessment

To assess risk, CM11-CIC group uses an array of tools that provide an aggregated, static and dynamic view of:
– the exposure to a given counterparty or group of counterparties;
– new and existing loans, based on elements adapted to suit the business lines concerned (rating, market, lending products, business segments, remuneration, etc.).

Each commercial entity uses information systems that enable it to check compliance on a daily basis with the caps assigned to each of its counterparties.

Commitment monitoring

Together with other interested parties, each lending unit contributes to the quarterly, formalized monitoring of the quality of the credit risk of each business line. This monitoring is conducted independently from the loan origination process and is in addition to and in coordination with the actions taken mainly by the first-level control in the lending units, the permanent supervision procedures and the Risk Department. The objective of the monitoring is to identify as early as possible at-risk situations using specific criteria for each customer segment, either through software applications or through the relevant operations and commitments managers.

The group also conducts internal reviews of counterparties to set "major risks" limits, determined based on either the bank's equity under CRBF regulation 93-05 in the case of regulatory limits, or equity and internal counterparty ratings in the case of corporate limits.

Advanced risk detection tools (management of debtors/sensitive risks/automatic transfer to the out-of-court collections unit) are also used to monitor account functioning anomalies and overruns, on the basis of both external and internal criteria, in an automated, systematic and comprehensive manner. These criteria are used to identify loans for special handling as early as possible.

A permanent network control function, independent of the lending function, performs second level controls on credit risk that review counterparties exhibiting warning signs and identify entities with multiple negative indicators. The aim of the second level control is to ensure that appropriate "risk" strategies are applied and suitable remedial action implemented.

This adds an additional layer of security to the credit risk management mechanism.

Management of at-risk items

A unified definition of default based on Basel and accounting requirements

The entire Crédit Mutuel group uses a unified definition of default, which draws a correlation between the Basel concept of default and the accounting notion of non-performing loans and loans in litigation as a result of an alignment of prudential rules to accounting regulations (CRC 2002-03). The computer applications take contagion into account, which also allows related loans to be downgraded.

Identification of at-risk items

The objective of the process is to identify all loans to be placed on credit watch and allocate them to the applicable category: sensitive (not downgraded), non-performing or in litigation. All loans are subject to an automatic monthly identification process using internal and external indicators that have been parameterized in the information system. Downgrading, in accordance with the prevailing regulatory criteria, is carried out automatically.

Transfer to non-performing, provisioning and reclassification as performing

Adjustments associated with the transfer to non-performing, provisioning and the reclassification as performing comply with the prevailing applicable rules and are processed automatically on a monthly basis, which ensures the process is exhaustive.

Management of doubtful loans

The group deals with doubtful loans depending on the severity of the situation. Management of such customers could remain at the branch level under the supervision of the customer relationship manager or be handled by specific, specialized staff, in accordance with the market, counterparty type or collection method.

Reporting

Risk Committee

In accordance with the provisions of CRBF regulation 97-02, the different decision-making bodies, particularly the Risk Committee, are informed of the evolution of lending commitments periodically and at least on a quarterly basis. In addition, these bodies are informed of and participate in decisions concerning the changes affecting the management systems of the credit commitments.

Information provided to management

IDetailed information on credit risks and related procedures is presented to the general management. This information is also presented to a Risk Monitoring Committee in charge of examining the strategic challenges faced by the CM11-CIC group in terms of risks, in accordance with applicable regulations.

III.3.1.2 – Quantified data

III.3.1.2.1 – Summary credit-risk exposure (balance sheet and off-balance sheet)

The additions to the scope of consolidation used to calculate the constant scope include the federation of Credit Mutuel Anjou.

Exposure

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2012 at constant scope	Dec. 31, 2011
Loans & receivables			
Credit institutions	52,802	52,787	37,775
Customers	276,009	272,585	270,738
Gross exposure	**328,811**	**325,372**	**308,513**
Impairment provisions			
Credit institutions	- 280	- 280	- 310
Customers	- 7,392	- 7,360	- 7,564
Net exposure	**321,138**	**317,732**	**300,639**

Source : Accounting - excluding repurchase agreements.

Exposure on commitments given

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2012 at constant scope	Dec. 31, 2011
Financing commitments given			
Credit institutions	1,620	1,620	1,626
Customers	47,882	47,638	52,107
Guarantee commitments given			
Credit institutions	1,323	1,323	2,265
Customers	13,800	13,769	13,677
Provision for risks on commitments given	**144**	**125**	**139**

Source : Accounting - excluding repurchase agreements.

III.3.1.2.2 – Customers loans

Total loans to customers amounted to €276.0 billion, up 0.7% [1] compared to 2011. Medium- and long-term loans on the balance sheet increased by 2.1% [1], while short-term loans decreased by 3.7% [1].

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2012 at constant scope	Dec. 31, 2011
Short-term loans	**59,255**	**59,003**	**61,239**
Overdrawn current accounts	8,085	8,037	6,993
Commercial loans	4,774	4,767	5,158
Short-term credit facilities	45,929	45,733	48,584
Export credits	466	466	503
Medium- and long-term loans	**204,749**	**201,679**	**197,573**
Equipment loans	45,641	44,917	42,526
Housing loans	140,748	138,626	137,216
Finance leases	8,405	8,405	8,294
Other	9,955	9,731	9,538
Total gross customer loans, excluding nonperforming loans and accrued income	**264,003**	**260,682**	**258,811**
Non-performing loans	11,434	11,337	11,335
Accrued income	572	566	591
Total gross customer loans	**276,009**	**272,585**	**270,738**

Source : Accounting - excluding repurchase agreements.

1. 2012/2011 Change at constant scope.

At the end of 2012, the agregate loan book reflects the full consolidation of the federation of Credit Mutuel Anjou. For this entity, the outstanding amounts at the end of 2012 broke down as follows:

In € million, year-end principal balances	Dec. 31, 2012 first-time consolidation	Dec. 31, 2012 relative weight
Short-term loans	**252**	**7.6%**
Overdrawn current accounts	48	1.4%
Commercial loans	7	0.2%
Short-term credit facilities	196	5.9%
Medium- and long-term loans	**3,070**	**92.4%**
Equipment loans	724	21.8%
Housing loans	2,122	63.9%
Finance leases	0	0.0%
Other	224	6.7%
Total gross customer loans, excluding nonperforming loans and accrued income	**3,321**	**100%**
Non-performing loans	97	
Accrued income	6	
Total gross customer loans	**3,424**	
Impairment provisions	32	

Source : Accounting - excluding repurchase agreements.

Unless otherwise specified, the comments, outstanding loans and analyses set out below (except for the "Housing loans" and "Geographical risk" sections) do not include Targobank Germany, the Cofidis Group, Targobank Spain and Banque Casino.

Quality of the portfolio

The loan portfolio is of high quality. On a nine level internal rating scale (excluding defaults), customers in the eight best categories accounted for 97.8% of the outstanding loans.

Performing loans to customers by internal rating	Dec. 31, 2012 in %	Dec. 31, 2011 in %
A+ and A-	35.2%	33.2%
B+ and B-	32.8%	33.0%
C+ and C-	20.8%	22.0%
D+ and D-	8.9%	9.7%
E+	2.3%	2.1%

Source : Risk Management.

CM-CIC rating	Moody's equivalent	Standard & Poor's equivalent
A+	AAA to Aa1	AAA to AA+
A-	Aa2 to Aa3	AA to AA-
B+	A1 to A2	A+ to A
B-	A3 to Baa1	A- to BBB+
C+	Baa2	BBB
C-	Baa3	BBB-
D+	Ba1 to Ba2	BB+ to BB
D-	Ba3 to B1	BB- to B+
E+	B2 and <	B and <

Focus on home loans

Outstanding amounts of home loans increased by 1% [1] in 2012 and accounted for 53% of the total gross balance sheet customer loans. Home loans are divided among a very large number of customers and are backed by real property sureties or first-rate guarantees.

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2011
Housing loans	**140,748**	**137,216**
Secured by Crédit Logement or Cautionnement Mutuel Habitat	46,931	46,441
Secured by mortgage or equivalent, low-risk guarantee	71,300	68,684
Other guarantees [1]	22,517	22,091

Source : Accounting. 1. Other risk-level mortgages, pledges…

Breakdown of loans by customer type

The breakdown of loans by customer type set forth below includes all the entities of CM11-CIC group located in France.

	Dec. 31, 2012 in %	Dec. 31, 2011 in %
Retail	79%	78%
Corporates	18%	17%
Large corporates	2%	3%
Specialized financing and other	2%	2%

Source : Risk Management.

Geographical breakdown of customer risk

99% of the identified country risk is in Europe. With marginal exceptions, the country risk exposure of the portfolio is centered on France and OECD countries.

	Dec. 31, 2012 in %	Dec. 31, 2011 in %
France	91%	90%
Europe, excluding France	8%	8%
Rest of the world	1%	1%

Source : Accounting.

Concentration risk / Exposure by segment

Concentration risk and exposure by segment are addressed in the chapter "Information on Basel II pillar 3".

Major risks

Corporate

Concentration of customer credit risk	Dec. 31, 2012	Dec. 31, 2011
Gross commitments in excess of €300m		
Number of counterparty groups	40	40
Total commitments (€m)	24,464	25,685
of which total statement of financial position (€m)	*9,138*	*9,585*
of which total off-statement of financial position		
guarantee and financing commitments (€m)	*15,326*	*16,100*
Gross commitments in excess of €100m		
Number of counterparty groups	137	125
Total commitments (€m)	39,282	39,785
of which total statement of financial position (€m)	*16,767*	*16,555*
of which total off-statement of financial position		
guarantee and financing commitments (€m)	*22,516*	*23,229*

Source : DGR 4003.
Gross commitments: weighted uses statement of financial position + offstatement of financial position guarantee and financing commitments.

1. 2012/2011 Change at constant scope.

Banking

Concentration of customer credit risk	Dec. 31, 2012	Dec. 31, 2011
Gross commitments in excess of €300m		
Number of counterparty groups	11	16
Total commitments (€m)	8,266	14,749
of which total statement of financial position (€m)	*6,737*	*11,441*
of which total off-statement of financial position		
guarantee and financing commitments (€m)	*1,529*	*3,308*
Gross commitments in excess of €100m		
Number of counterparty groups	28	31
Total commitments (€m)	11,472	17,683
of which total statement of financial position (€m)	*9,436*	*13,685*
of which total off-statement of financial position		
guarantee and financing commitments (€m)	*2,037*	*3,998*

Source : DGR 4003.
Gross commitments: weighted uses statement of financial position + offstatement of financial position guarantee and financing commitments.

At-risk items and cost of risk

The CM11-CIC group's doubtful loans remained stable on a comparable basis, with €11.434 billion at 31 December 2012 compared with €11.335 billion at 31 December 2011. These loans accounted for 4.1% of total customer loans compared with 4.2% in 2011.

At the end of 2012, actual net provisioning for known risks represented 0.351% of gross outstanding customer loans, compared with 0.380% at 31 December 2011. The cost of total customer risk, which includes provisions for collectively impaired receivables, amounted to 0.369% of the gross outstanding amount of customer loans, compared with 0.373% at 31 December 2011. The table below summarizes the main components.

Cost of risk

	Dec. 31, 2012	Dec. 31, 2011
Cost of total customer risk	**0.369%**	**0.373%**
Banking networks [1]	0.15%	0.12%
Private *individuals*	*0.07%*	*0.07%*
Housing loans	*0.06%*	*0.04%*
Consumer credit - Targobank Germany	1.57%	1.92%
Consumer credit - Cofidis	3.92%	4.48%
Financing [2]	0.48%	0.14%
Private banking	0.31%	0.09%

1. CM11 scope, CIC, BECM, CIC Iberbanco, Targobank Spain (excluding Targobank Germany, Cofidis and support subsidiaries in the network).
2. Large corporates, International (incl. foreign branches), Specialized financing.

Quality of customer risks

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2012 at constant scope	Dec. 31, 2011
Individually impaired receivables	11,434	11,337	11,335
Provision for individually impaired receivables	6,815	6,786	7,038
Provision for collectively impaired receivables	577	574	526
Coverage ratio	64.7%	64.9%	66.7%
Coverage ratio (provision for individual impairments only)	59.6%	59.9%	62.1%

Source : Accounting.

Outstanding loans to customers taht are overdue but not impaired

Dec. 31, 2012	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 an	Total
Debt instruments[1]	**0**	**0**	**0**	**0**	**0**
Loans & receivables	**5,261,169**	**40,200**	**11,193**	**15,740**	**5,328,302**
Governments	699	0	0	0	699
Credit institutions	9,863	0	0	0	9,863
Non-financial institutions	40,480	0	0	0	40,480
Large corporates	677,576	1,196	5,323	10,440	694,535
Retail customers	4,532,551	39,004	5,870	5,300	4,582,725
Total	**5,261,169**	**40,200**	**11,193**	**15,740**	**5,328,302**

Dec. 31, 2011	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments[1]	**0**	**0**		**0**	**0**
Loans & receivables	**4,141,484**	**47,201**	**1,367**	**2,377**	**4,192,429**
Governments	3,562	0	0	0	3,562
Credit institutions	17,824	0	0	0	17,824
Non-financial institutions	26,714	0	0	0	26,714
Large corporates	520,178	1,905	0	2,333	524,416
Retail customers	3,573,206	45,296	1,367	44	3,619,913
Total	**4,141,484**	**47,201**	**1,367**	**2,377**	**4,192,429**

1. Available-for-sale or held-to-maturity debt securities.

III.3.1.2.3 – Interbank loans*

Interbank loans by geographical region

	Dec. 31, 2012 in %	Dec. 31, 2011 in %
France	43.1%	47.6%
Europe, excluding France	34.2%	31.7%
Other countries	22.7%	20.7%

Source : Counterparty Financial Information Department.
Banks only, excluding Targobank Germany, Targobank Spain and Cofidis.

Interbank loans are classified by the country of the parent company.

At the end of 2012, interbank loan exposures related mainly to banks in France, the United States and Germany. The CM11-CIC group continued to reduce its exposure in the most sensitive European banking systems during 2012.

Structure of interbank exposure by internal rating

	Equivalent external rating	Dec. 31, 2012 in %	Dec. 31, 2011 in %
A+	AAA/AA+	0.1%	0.4%
A-	AA/AA-	32.5%	25.4%
B+	A+/A	43.3%	52.5%
B-	A-	10.3%	12.7%
C and below	BBB+ and below	13.5%	8.9%
Not rated		0.3%	0.0%

Source : Counterparty Financial Information Department.
Banks only, excluding Targobank Germany, Targobank Spain and Cofidis.

In 2012, the change in the structure of CM11-CIC's interbank exposure based on the internal rating was marked by:
– an increase in amounts owed rated A- (external equivalent AA/AA-), concentrated in a few leading French and European counterparties;
– an increase in amounts owed by the weakest counterparties (rated C+ or less, i.e. external equivalent BBB+), due to the deterioration in the scores of counterparties located in sensitive countries; and
– and a significant decrease in amounts owed rated B+ (external equivalent A+/A) due to the aforementioned downgrades as well as to a decrease in amounts owed by a few significant counterparties.

86% of outstanding loans are rated B or A, i.e. at least A- in equivalent external ratings, compared with 91% the previous year.

III.3.1.2.4 – Sovereign risk

Sovereign risk is presented in Note 7b to the consolidated financial statements of CM11-CIC group.

III.3.1.2.5 – Debt securities, derivative instruments and repurchase agreements

The securities portfolios are mainly held by the capital markets activity and, to a lesser extent, the assetliability management unit.

In € million, year-end principal balances		
Debt securities	**Carrying amount at Dec. 31, 2012**	**Carrying amount at Dec. 31, 2011**
Government securities	13,589	16,802
Bonds	81,581	80,343
Derivative instruments	3,886	3,294
Repurchase agreements & securities lending	12,508	8,969
Gross exposure	**111,565**	**109,408**
Provisions for impairment of securities	- 107	- 212
Net exposure	**111,457**	**109,196**

Source : Accounting.

III.3.2 – Asset-liability management (ALM) risk

III.3.2.1 – Organization

The CM11-CIC group's asset-liability management functions, which were previously organized on a decentralized basis, have been centralized.

The CM11-CIC group's decision-making committees for matters concerning liquidity and interest-rate risk management are as follows:

– The ALM Technical Committee manages liquidity and interest rate risk in accordance with the risk limits applied within the CM11-CIC group. The ALM Technical Committee is composed of the heads of the relevant business lines (finance department, asset-liability management, refinancing and treasury, marketing and risk) and meets on a quarterly basis. The indicators compiled at consolidated level and by entity are static and dynamic liquidity gaps, static interest-rate gaps and sensitivity of net banking income and net asset value.

– The ALM Monitoring Committee, composed of the CM11-CIC group's senior executives, examines changes in asset-liability management risk and approves the risk limits.

Hedging decisions are aimed at maintaining the risk indicators within the limits set for CM11-CIC as a whole and for each of the entities comprising the group. The hedges are assigned to the entities concerned, in accordance with the entities' needs.

The various asset-liability management risk indicators are also presented each quarter to the CM11-CIC group's Risk Committee.

The role and principles governing asset-liability management are defined as follows:

– Asset-liability management is a distinct function from the trading room, with its own resources.

– The key objective of asset-liability management is to shelter lending margins from the effects of interest and exchange rate fluctuations and to ensure that the bank has sufficient liquidity to meet its obligations, therefore protecting it from a liquidity crisis.

– Asset-liability management does not operate as a profit center but as a function that serves the bank's profitability and development strategy, as well as the management of liquidity risk and interest-rate risk arising from the activity of the network.

– Asset-liability management helps to define the bank's sales and marketing policy in terms of lending criteria and rules governing internal transfer rates and is in constant contact with the sales teams throughout the network.

III.3.2.2 – Interest-rate risk management*

The group's commercial activities generate interest rate risk, creating interest rate differentials and differences in benchmark lending and borrowing rates. Analysis of this risk also takes into account the volatility of amounts outstanding on products with no contractual maturity date and embedded options (early repayment and roll-over options for loans and confirmed credit line drawdowns, etc.).

The group uses a combination of macro hedging and specific hedging to manage interest-rate risk arising from all operations connected with the banking network's business, as well as customer loans involving a material amount or an unusual structure. Risk limits are set in relation to the annual net banking income of each bank and each group. The technical committee decides which hedges to implement and allocates them pro rata in accordance with the needs of each entity.

Interest rate risk is analyzed on the basis of the main indicators below, which are updated on a quarterly basis.

– **The static fixed-rate gap**, corresponding to items in the balance sheet, both assets and liabilities, whose cash flows are considered to be certain over a one to ten year horizon, governed by limits from three to seven years, measured by a net banking income ratio.

– **The static "inflation"** gap over a one to ten year horizon.

– **The sensitivity of the net interest margin**, calculated based on national scenarios and subject to limits. It is measured in annual steps, over a two-year horizon and is expressed as a percentage of each entity's net banking income.

The Group calculates four scenarios:

- scenario 1 (core scenario): a 1% increase in market interest rates and a 0.33% increase in inflation;
- scenario 2: a 1% increase in market interest rates and stable inflation;
- scenario 3: a 2% increase in market interest rates and a 0.66% increase in inflation;
- scenario 4 (stress scenario): a 3% increase in short interest rates, a 1% decline in long rates and stable inflation.

As of 31 December 2012, the net interest income of the CM11-CIC commercial banking was exposed, under the core scenario, to a drop in interest rates: - 2.36% (- €159.0 million in absolute value), compared with - 2.21% in 2011. In year 2, exposition to the fall in rates was etablished at - 3.41% (- €234.2 million in absolute value), compared with - 3.60% the previous year. As of 31 December 2012, the fixed floor at Inflation + 0.25% for the authorities to determine the savings rate is reached (inflation at 1.20%). The floor remains reached if rates increase by 1% and inflation by 0.33%. Also the saving rate only varies in this scenario by 0.33% instead 0.67% usually, hence the increased sensitivity to a drop in rates.

Indicators in case of a rise in interest rates in the CM11-CIC commercial banking (excluding the holding company) were as follows:

Sensitivity in % of net banking income	1 year	2 years
Scenario 1	2.4%	3.4%
Scenario 2	3.6%	5.3%
Scenario 3	4.7%	6.8%
Scenario 4	5.0%	4.4%

– **Sensitivity of Net Asset Value (NAV)** arising from the application of the standard Basel II indicator: By applying a uniform 200bp increase or decrease to the whole balance sheet, it is possible to measure, as a percentage of equity, the change in the net discounted value of the main balance sheet items based on various scenarios.

Sensitivity of Net Asset Value (NAV)	In % of equity
Sensitivity + 200 bp	- 5.0%
Sensitivity - 200 bp	+ 9.6%

III.3.2.3 – Liquidity risk management

The CM11-CIC group attaches great importance to the management of liquidity risk.

The CM11-CIC group's liquidity risk management mechanism, in close collaboration with BFCM which takes charge of the long-term refunding of the group, is based on the following procedures:

– compliance with the one-month liquidity ratio, which is representative of the Group's short-term liquidity situation;

– establishing the static liquidity gap, based on contractual and agreed maturities and incorporating off-balance sheet commitments; transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to seven years and are subject to target levels in order to lock in and optimize the refinancing policy;

– calculating the dynamic liquidity gap over five years, incorporating new loans granted, thereby facilitating measurement of future financing needs associated with the development of commercial activity;

– reviewing the impact of a stress scenario on static gap and transformation ratios, in particular involving a 30% decline in sources of funds and an increased drawdown of confirmed credit lines;

– the ALM Technical Committee decides on the liquidity hedges to be implemented in light of all these indicators. These hedges are allocated pro rata in accordance with cumulative needs.

Breakdown of maturities for group's liquidity risk

2012

In € millions
Assets
Trading financial assets
Financial assets at fair value through profit or loss
Derivative instruments used for hedging purposes – assets
Available-for-sale financial assets
Loans and receivables (incl. finance leases)
Held-to-maturity investments
Other assets
Liabilities
Central bank deposits
Trading financial liabilities
Financial liabilities at fair value through profit or loss
Derivative instruments used for hedging purposes – liabilities
Financial liabilities carried at amortized cost
of which debt securities, including bonds
of which subordinated liabilities

Excluding insurance activities.
1. Includes accrued interest and income and securities given and received under repurchase agreements.
2. Includes undated debt securities, equities, non-performing loans, loans in litigation and impairment provisions.
For marked-to-market financial instruments, also includes differences between fair value and redemption value.

2011

In € millions
Assets
Trading financial assets
Financial assets at fair value through profit or loss
Derivative instruments used for hedging purposes – assets
Available-for-sale financial assets
Loans and receivables (incl. finance leases)
Held-to-maturity investments
Other assets
Liabilities
Central bank deposits
Trading financial liabilities
Financial liabilities at fair value through profit or loss
Derivative instruments used for hedging purposes – liabilities
Financial liabilities carried at amortized cost
of which debt securities, including bonds
of which subordinated liabilities

Excluding insurance activities.
1. Includes accrued interest and income and securities given and received under repurchase agreements.
2. Includes undated debt securities, equities, non-performing loans, loans in litigation and impairment provisions.
For marked-to-market financial instruments, also includes differences between fair value and redemption value.

Residual contractual maturities							
≤ 1 month[1]	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity[2]	Total
1,823	1,091	5,023	1,722	4,815	3,198	10	17,680
5,296	2,439	2,742	116	1,838	18	20	12,470
3	0	1,207	9	96	5	21	1,342
488	369	2,191	3,793	8,144	4,074	2,769	21,828
52,352	9,087	21,759	26,093	62,572	148,185	3,043	323,091
3	77	68	116	641	0	0	904
944	15,513	962	13	89	48	984	18,553
9	45	24	52	125	87	0	343
639	158	1,200	770	3,167	1,678	15	7,627
7,666	6,179	5,147	0	0	0	0	18,992
12	9	500	79	222	1,931	37	2,789
157,075	32,294	42,256	24,999	58,058	33,103	4,167	351,951
13,005	*14,527*	*22,822*	*9,755*	*19,657*	*19,339*	*1*	*99,107*
126	*59*	*198*	*700*	*1,995*	*2,017*	*2,190*	*7,285*

Residual contractual maturities							
≤ 1 month[1]	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity[2]	Total
467	294	3,205	4,259	4,538	2,968	465	16,197
5,276	1,060	890	23	2,030	4	60	9,343
3	1	831	27	41	24	8	935
338	248	2,874	3,102	10,439	7,034	2,880	26,915
38,340	10,179	22,225	25,576	60,696	143,585	1,845	302,445
32	2,878	2,036	142	715	42	0	5,845
915	13,251	1,491	5	45	15	1,011	16,734
16	13	67	47	95	44	0	282
577	126	1,065	839	2,522	1,503	11	6,642
9,959	6,273	6,163	0	0	0	0	22,395
11	5	597	318	752	1,289	951	3,923
157,372	34,201	32,995	21,607	55,899	29,085	4,092	335,252
11,267	*16,017*	*15,231*	*8,372*	*19,682*	*20,366*	*0*	*90,935*
1	*63*	*200*	*883*	*1,996*	*2,022*	*2,199*	*7,363*

III.3.2.4 – Exchange rate risk

The Group automatically centralizes foreign exchange rate positions of each group entity in the CIC holding company and in BFCM on a daily basis for commercial transfers and cash flows, both income and expenses, denominated in foreign currencies, and on a monthly basis for any gains or losses in foreign exchange, which are converted into euros.

As a result, no Group entity bears any exchange rate risk at its own level. The holding company is responsible for clearing foreign exchange rate positions daily and monthly via the market.

A specific foreign currency position limit is assigned solely to the capital markets business of CM-CIC Marchés.

Structural exchange rate positions that result from foreign currency allowances to foreign branches remain at the foreign branch level and are not hedged.

Foreign exchange gains or losses are recognized in the asset or liability translation accounts and therefore are not taken into account in the income statement.

The profits or losses of the foreign branches are retained in the foreign branches and thus add to the structural foreign currency position.

III.3.2.5 – Equity risk

CM11-CIC group has exposure to various types of equity risks.

III.3.2.5.1 – Assets measured at fair value through profit or loss

Financial assets held in the trading portfolio amounted to €317 million at December 31, 2012 compared with €473 million at December 31, 2011 and solely concerned CIC's capital markets business (see Note 5a to the consolidated financial statements).

Financial assets accounted for using the fair value option through profit or loss amounted to :

– €1.946 billion under the fair value option, of which €1.870 billion represented the private equity business line (see Note 5a to the consolidated financial statements) ;

– €11.393 billion in equities held by the GACM insurance activity (see Note 1.3.4. to the consolidated financial statements) within the framework of unit-linked policies in the insurance business, to ensure consistency with the treatment of liabilities.

III.3.2.5.2 – Available-for-sale financial assets

Financial assets classified as available-for-sale and various long-term investments amounted to €6.450 billion and €1.984 billion respectively (see Note 7 to the consolidated financial statements).

Long-term investments included :

– investments in non-consolidated subsidiaries totaling e1.332 billion and in associates totaling €488 million : the main holdings included Caisse Fédérale Océan (€17 million), Club Sagem (€134 million), Desjardins (€67 million), Foncières des Régions (€277 million) and CRH (Caisse de Refinancement de l'Habitat) (€72 million) ;

– other long-term securities (€160 million).

III.3.2.5.3 – Diminution in value of shares

The group reviews its equity investments periodically to identify any impairment in listed securities in the event of a significant or prolonged drop in value.

Net reversals of impairment charges through profit or loss totaled €31 million in 2012 compared to a net impairment of €143 million in 2011.

At December 31, 2012, the acquisition value of devalued stocks was €4.330 billion and the corresponding impairment provision was €2.297 billion. Their market value was €2.033 billion.

III.3.2.6 – Private equity

The private equity business comprises dedicated private equity entities whose portfolios are all accounted for under the fair value option. The portfolios comprise around 500 investment lines, relating mainly to small- and medium-sized enterprises.

Risks related to the private equity business

	Dec. 31, 2012	Dec. 31, 2011
Number of listed investment lines	33	38
Number of unlisted, active investment lines	416	567
Revalued proprietary portfolio (€m)	1,769	1,784
Managed funds (€m)	676	725
Number of managed funds	48	39

III.3.3 – Market risk

III.3.3.1 – General structure

CM-CIC Marchés combines all the capital markets activities of BFCM and CIC in France and those of the branches in Frankfurt (BFCM), London, New York and Singapore (CIC).

These entities are organized around three business lines : refinancing (transactions which are mainly recognized on BFCM's balance sheet), commercial, and fixed income, equity and credit products (recognized on CIC's balance sheet).

III.3.3.1.1 – Refinancing

A dedicated treasury management team is responsible for refinancing all the activities of the CM11-CIC Group. It seeks to diversify its investor base in Paris, Frankfurt and London and its refinancing tools, including Crédit Mutuel-CIC Home Loan SFH.

The products concerned consist mainly of monetary or bond instruments and futures used to hedge interest rates and exchange rates.

In addition to the pure refinancing positions, this business line also has a portfolio of securities classified as AFS (available-for-sale), which are mainly meant to be used in case of a liquidity crisis.

III.3.3.1.2 – Commercial

The sales teams working from Paris or within the regional banks use a wide range of standardized tools and products. A dedicated technical desk responsible for designing, match funding and reversing positions ("CAR") aims to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments.

The business also involves the sale of investment products such as Libre Arbitre and Stork (resulting directly from the expertise of the Fixed Income, Equity and Credit products business line), which are aimed at institutional, corporate and retail customers of CM-CIC's various networks.

III.3.3.1.3 – Fixed Income, Equity and Credit Products

This business line is organized around desks specialized in investments in equities, hybrid instruments, spreads and fixed income products. These activities mainly involve purchases and sales of financial securities acquired with the intention of holding them for a long period of time, as well as trading in related financial instruments. These activities are called upon to create value in a disciplined risk environment, to drive commercial development and to provide expertise or services to other Group entities.

III.3.3.2 – Internal control structures

In 2012, the internal control function continued to improve its organization and monitoring methodologies. It continued to refine its procedures to take into account a unified system of limits incorporating the market activities of the branches and to present the CRD3 regulatory changes, in particular stressed VaR and IRC as well as risk measurement in VaR/stress-tests, as part of the "market risk internal model" project, and regulatory risk measurement (CAD and European Capital Adequacy under Basel 2.5 standards).

The French Prudential Supervisory Authority (L'Autorité de contrôle prudentiel – ACP) carried out a general review of the Fixed Income-Equity-Credit products business line, following which it issued a number of recommendations, implementation of which is at an advanced stage.

All methodologies are formalized in a "body of rules". Regular updates throughout the year include the introduction of new products and the improvement of the monitoring of risk measurement, with a complete formal validation at least once per year.

Capital markets activities are organized as follows :

– they are under the responsibility of a member of the Executive Management ;

– the front-office units that execute transactions are segregated from those responsible for monitoring risks and results (control function) and from those in charge of transaction validation, settlement and recording (back-office function) ;

– internal control teams operate under the responsibility of the Group's risk division, which compiles management reports summarizing risk exposures and has the Boards of Directors of CIC and BFCM validate the level of capital allocated/consumed ;

– the permanent controls system is based on first-level controls performed by three control teams :

• the risks and results team validates production, monitors results on a daily basis and ensures compliance with limits,

• a team in charge of accounting and regulatory issues is responsible for reconciling accounting and economic results, for providing oversight on regulatory matters, and the control of operational risks,

• a CM-CIC Marchés team covering legal compliance is responsible for first-level legal issues ;

– second-level controls are organized around :

• capital markets business lines' permanent controls function (CPMM), which reports to the permanent control department, supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls on activities,

• CIC's lending department, which monitors at-risk outstanding for each counterparty group,

• CIC's legal and tax department, which works with the CM-CIC Marchés legal team,

• CIC's finance department, which supervises accounting procedures and templates and is responsible for accounting and regulatory controls ;

– the CM11-CIC Group's periodic controls team, which uses a team of specialist auditors to carry out periodic controls and compliance checks in respect of capital markets activities.

A Market Risk Committee that meets monthly is responsible for monitoring the strategy, results and risks of CMCIC Marchés (in France and in the branches) in relation to the limits prescribed by the Boards of Directors of CIC and BFCM. It is chaired by the member of Executive Management in charge of CM-CIC Marchés and comprises the Chief Operating Officer of CIC and BFCM, the front office, post-market, back office and accounting and regulatory control managers, and the manager of the risk department and the Group permanent control department. It approves the operational limits established as part of the general limits set by the Boards of Directors of CIC and BFCM, which are kept informed on a regular basis of the risks and results of these activities. The Market Risk Committee also approves the general principles of the "Internal Market Risk Model".

III.3.3.3 – Risk management*

The system used to set exposure limits for market risk is based on :

– an overall limit for regulatory capital (CAD/European capital adequacy), broken down by desk, and for VaR;

– internal rules and scenarios (CAD risks, historical VaR and stress tests), which convert exposures into potential losses.

The limits system covers various types of market risk (interest rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk and for each desk.

If the overall limit and/or the limit assigned to each business line is exceeded, the Group risk department is responsible for monitoring and managing the excess exposure.

Risks are monitored based on first-tier indicators such as sensitivity to various market risk factors (mainly for traders), and second-tier indicators such as potential losses, to provide an accessible overview of capital markets exposures for decision-makers.

Following a sharp decrease that began in 2009, the capital allocated in 2012 for the Fixed Income, Equity and Credit products and commercial business lines in mainland France remained stable compared to 2011. VaR was €8.8 million at the end of 2012.

The capital consumed by the RMBS business conducted in the New York branch continued to fall in line with the amortization of the portfolio securities managed on a run-off basis. Trading activities are maintained within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight treasury position must not exceed a certain limit with an intermediate warning limit, the two limits being set by the department and approved by the Boards of Directors of CIC and BFCM. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal trading desk risks are as follows :

– Refinancing

BFCM's market risks relate mainly to the liquidity portfolio. Such risks are calculated based on the CAD and European Capital Adequacy requirement. In 2012, the overall consumption of risk capital fell from €94 million to €71 million. This change was attributable to a drop in European Capital Adequacy requirements (as a result of the maturing of banking portfolio transactions) and a decline in CAD in respect of General Interest Rate Risk.

– Hybrid instruments

Consumption of risk capital, which remained stable throughout the year, averaged €68 million and was €66 million at the end of 2012. The convertible bond amounts outstanding decreased to €2.1 billion at year end 2012 from 2.5 billion at year end 2011.

– Credit

These positions correspond to either securities/CDS arbitrage or to credit correlation positions (Itraxx/CDX tranches) or asset-backed securities. On the credit arbitrage portfolio, consumption of risk capital averaged around €28 million and reached €23.8 million in December following the liquidation of CDS/Itraxx. On the ABS portfolio, consumption of risk capital was around €97 million and ended the year at €107 million. The risks related to the downgrades on Spain and Ireland had little impact on the portfolio positions in peripheral countries thanks to prudent risk management and a reduction in positions in these countries throughout the year. With respect to the credit correlation business, exclusively based on Itraxx/CDX tranches, consumption of risk capital began at €10.7 million before falling in February as a result of the liquidation of tranches, and stood at €7 million over the remainder of the year.

– M&A and miscellaneous actions

Consumption of risk capital reached €40 million on average in 2012, ending the year at €20.6 million. This decrease followed the change in outstanding amounts and the removal of OST from M&A. M&A amounts outstanding decreased to €166 million in December 2012 compared with €256 million at the end of 2011.

– Fixed income

The positions relate to directional and yield-curve arbitrage, typically with underlying government securities, mostly European. The weak positions on Greece were liquidated in the first quarter 2012. Positions related to peripheral countries are very limited. The position on Italy was reduced by 35%, falling to approximately €2 billion, with the bulk of this outstanding amount maturing in 2014. Government securities totaled €5.8 billion at the end of 2012, compared with €8.8 billion in 2011, of which €3.1 billion related to France.

The limits of these activities were revised downward as of January 1, 2013.

III.3.3.4 – Credit derivatives

These products are used by CM-CIC Marchés and are recognized in its trading portfolio.

Trading desks are subject to exposure limits by issuer or counterparty for all types of products. Outstanding amounts are monitored on a daily basis and exposure limits are reviewed periodically by the Lending Committees and Capital Markets Risk Committees.

III.3.4 – Capital adequacy ratio*

Under Article 4.1 of CRBF regulation 2000-03, the following subsidiaries are exempt from monitoring on an individual or sub-consolidated basis: BFCM, Sofemo, BCMI, Crédit Mutuel - CIC Home Loan SFH and CIC Iberbanco. The other regulated entities are subject to monitoring on an individual or sub-consolidated basis.

The information on the risks of the solvency ratio for the CM11-CIC group are presented in the chapter Information on Basel II pillar 3.

III.3.5 – Operationnal risk*

In the context of the Basel II capital adequacy regulations, the Crédit Mutuel-CIC Group has implemented a comprehensive operational risk management system under the responsibility of senior management. Group-wide guidelines describe the risks concerned and the quantitative evaluation methods to be used.

The Group has an overall operational risk management function that is clearly identified and split in practice between the national function and the regional functions. This function covers operational risk, disaster recovery plans and insurance covering these risks.

The system used to measure and monitor operational risk is based on a common platform applied throughout the Crédit Mutuel-CIC Group and uses an approach for identifying and modeling risks so as to calculate the level of capital required to be held with respect to operational risk.

As of January 1, 2010, Crédit Mutuel-CIC has been authorized to use its advanced measurement approach to calculate its capital adequacy requirements with respect to operational risk. As of June 30, 2012, the Group also has authorization to deduct expected losses from its capital adequacy requirement and to take into account insurance, for the consolidated group excluding the foreign subsidiaries, Cofidis and Banque Casino.

III.3.5.1 – Main objectives

The operational risk management policy set up by the Group is designed :

– to contribute to the Group's effective management by controlling risks and the associated costs;

– from a human perspective, to protect staff, develop responsibility, autonomy and control, and capitalize on the expertise Group-wide ;

– from an economic standpoint, to protect margins by effectively managing risk across all activities, ensure returns on the investments made to achieve compliance with banking regulations, optimize capital allocated in respect of risk and adapt insurance policies to the risks identified ;

– from a regulatory standpoint, to respond effectively to Basel II capital requirements and supervisory authorities, develop a reliable system of internal control (CRBF 97.02), optimize disaster recovery plans for mission-critical operations and adapt financial reporting (Third Pillar of Basel II).

III.3.5.2 – Role and position of the management function

The national operational risk management function coordinates and consolidates the entire procedure through the deployment of a dedicated team and also assists the operational risk managers in the regional groups.

The regional operational risk management function implements the risk procedure and verifies that it is consistent with the national risk management policy.

III.3.5.3 – Measurement and control procedure

For modeling purposes, the Group relies mainly on the national database of internal losses, based on an external database and on scenarios developed within the context of mappings and statistical work, performed in accordance with common procedures and regulatory requirements.

Risk maps broken down by business line and by risk type and objects have been drawn up for all activities, with probability-based models culled from the work of outside experts. These are validated by the Operational Risk Technical Committee. Capital adequacy requirements are calculated at national level and are then split at regional level.

Operational risk mitigation techniques include :

– preventative actions identified during the mapping process and implemented directly by operational or permanent control staff;

– safeguard initiatives, which focus on the widespread implementation of disaster recovery plans, logistics and IT solutions for all mission-critical operations in order to limit the seriousness of any incident in the event of a crisis.

A consistent crisis management process, linked to the system for interbank operations, covers crisis communication and the three phases of disaster recovery plans: emergency, business continuity and back-on-track plans.

III.3.5.4 – Reporting and general oversight

The Group monitors the application of the operational risk management policy and risk profile with key indicators, thresholds and warnings covering the assessment of potential risks, changes in loss experience and the effectiveness of risk-reduction and financing measures. The Group's executive and governance bodies are regularly provided with information on this risk data, including the requirements of CRBF 97-02.

III.3.5.5 – Documentation and procedures

The Group consistently applies a set of procedures that are approved by the managing bodies and are regularly updated, covering :

– governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, and of the national function, the frequency and recipients of reports, the scope for the monitoring of Group entities, and the methodology for the consolidation of subsidiaries;

– collection of incident information: procedures laying down the rules for collecting information and controlling internal losses;

– measurement system : procedures concerning, in particular, modeling that is probability based and based on the work of experts, the rules for gathering *Key Risk Indicators* (KRI), the basis for the allocation of capital adequacy requirements and COREP reports.

III.3.5.6 – Disaster recovery plans

Disaster recovery plans are part of the back-up measures implemented by the Group to limit any losses resulting from operational risk.

"Disaster recovery plan guidelines", which are the Crédit Mutuel-CIC Group reference document in this field, may be consulted by all teams concerned and are applied at the level of the regional groups.

Plans are classified into two categories :

– business-specific disaster recovery plans that relate to a given bank trade linked to one of the business lines identified in accordance with Basel II ;
– cross-functional disaster recovery plans that relate to activities that constitute business support services (logistics, HR and IT issues).

Plans can be split into three components :

– emergency plan : this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment ;
– business continuity plan : this involves resuming business under adverse conditions in accordance with predefined procedures;
– back-on-track plan : this is prepared shortly after the business continuity plan kicks in.

III.3.5.7 – Crisis management and its organization

Crisis management procedures at Group level and at regional level cover the most efficient organization and communications systems for handling the three components : emergency, business continuity and back-on-track plans.

These procedures are based on :

– a Crisis Committee, chaired by the CEO of the bank at the regional level or by the Group CEO at national level, that takes the key decisions, prioritizes action plans and handles the internal and external reporting of events ;
– a crisis unit that pools information, implements the decisions and provides follow-up ;
– a crisis liaison team for each business line, responsible for coordinating operations on the ground together with the crisis unit. The main focus of the team's work is implementing a disaster recovery plan until the situation returns to normal.

III.3.5.8 – Insurance deducted from equity

Operational risk financing programs are reviewed as and when the results of the assessments of net risks are available, after the application of risk-mitigation techniques on the basis of the following principles :

– insuring severe or major risks that can be insured, and developing self-insurance for the Group for amounts included in a deductible and for intra-group risks;
– insuring frequency risks when justified or self-insuring them through provisions in the income statement ;
– severe non-insurable risks and the non-insured balance are covered by prudential equity reserves ;
– major risks arising from interbank exchange and payment systems are covered by liquidity reserves set up and allocated on an individual system basis.

The Group is insured against damage to property and carries overall insurance for banking risks, fraud, and professional third-party liability, which it intends to use in order to reduce regulatory equity consumption for operational risks.

III.3.5.9 – Training

Each year, the Group provides operational risk training for its network managers, internal controllers and operational staff responsible for monitoring these risks.

III.3.5.10 – CM11-CIC group's operational risk loss experience

In 2012, the CM11-CIC group suffered total operational losses of €70.4 million, including €90.3 million of actual losses and €19.9 million of net reversals of provisions in respect of prior-year losses. This total is broken-down as follows :

– fraud : €40.1 million ;
– industrial relations : €6.9 million;
– human/procedural error : €16.8 million;
– legal risk : €2.3 million ;
– natural disasters and system malfunctions : €4.3 million.

III.3.6 – Other risks

III.3.6.1 – Legal risks

Legal risks are incorporated into operational risks and concern, among other things, exposure to fines, penalties and damages attributable to faults by the business in respect of its operations.

III.3.6.2 – Industrial and environmental risks

Industrial and environmental risks are included in operational risks and are analyzed from the perspective of system malfunctions and the occurrence of natural disasters (100-year events, floods, earthquakes, pollution, etc.), their impact on the business and means of prevention and protection to be put in place, notably crisis management and disaster recovery plans.

III.4 – CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position (IFRS) at December 31, 2012

Assets

In € millions	Dec. 31, 2012	Dec. 31, 2011 restated*	Jan. 1, 2011 restated*	Notes
Cash and amounts due from central banks	10,411	6,307	7,217	4a
Financial assets at fair value through profit or loss	44,329	38,063	41,229	5a, 5c
Hedging derivative instruments	1,342	935	135	6a, 5c, 6c
Available-for-sale financial assets	72,064	71,956	76,262	7, 5c
Loans and receivables due from credit institutions	53,924	38,603	40,113	4a
Loans and receivables due from customers	269,411	263,906	229,304	8a
Remeasurement adjustment on interest-risk hedged investments	852	738	594	6b
Held-to-maturity financial assets	13,718	16,121	10,733	9
Current tax assets	1,405	1,607	1,122	13a
Deferred tax assets	1,162	1,774	1,386	13b
Accruals and other assets	19,124	17,272	15,610	14a
Non-current assets held for sale	1	0	0	
Deferred profit-sharing	0	0	0	
Investments in associates	2,057	2,058	1,862	15
Investment property	1,229	909	832	16
Property and equipment	2,921	2,940	2,803	17a
Intangible assets	1,044	1,004	1,006	17b
Goodwill	4,233	4,298	4,192	18
Total assets	**499,227**	**468,492**	**434,401**	

*After taking account of IAS19-R and the accounting treatment of the investment in Banco Popular Español (see note 1.1)

Liabilities and shareholders' equity

In € millions	Dec. 31, 2012	Dec. 31, 2011 restated*	Jan. 1, 2011 restated*	Notes
Due to central banks	343	282	44	4b
Financial liabilities at fair value through profit or loss	31,539	31,009	34,551	5b, 5c
Hedging derivative instruments	2,789	3,923	3,073	6a, 5c, 6c
Due to credit institutions	28,885	36,422	27,850	4b
Due to customers	216,503	200,086	163,467	8b
Debt securities	93,919	87,227	95,035	19
Remeasurement adjustment on interest-risk hedged investments	- 3,451	- 2,813	- 1,963	6b
Current tax liabilities	674	561	527	13a
Deferred tax liabilities	885	842	939	13b
Accruals and other liabilities	16,284	10,030	12,098	14b
Liabilities associated with non-current assets held for sale	0	0	0	
Technical reserves of insurance companies	72,712	65,960	66,018	20
Provisions	2,002	1,800	1,594	21
Subordinated debt	6,375	6,563	7,155	22
Shareholders' equity	**29,767**	**26,599**	**24,012**	
Shareholders' equity attributable to the Group	**27,326**	**24,217**	**20,582**	
Subscribed capital and issue premiums	5,808	5,596	5,139	23a
Consolidated reserves	19,627	17,951	15,785	23a
Gains and losses recognized directly in equity	269	- 990	- 343	23c, 23d
Net income for the year	1,622	1,660		
Shareholders' equity - *Minority interests*	**2,441**	**2,382**	**3,431**	
Total liabilities and shareholders' equity	**499,227**	**468,492**	**434,401**	

*After taking account of IAS19-R and the accounting treatment of the investment in Banco Popular Español (see note 1.1)

Consolidated income statement (IFRS) for the year ended December 31, 2012

In € millions	Dec. 31, 2012	Dec. 31, 2011 restated*	IFRS Notes
Interest income	18,634	17,960	25
Interest expense	- 13,700	- 11,660	25
Fee and commission income	3,500	3,653	26
Fee and commission expense	- 874	- 951	26
Net gain (loss) on financial instruments at fair value through profit or loss	898	- 70	27
Net gain (loss) on available-for-sale financial assets	251	- 1	28
Income from other activities	12,534	10,994	29
Expenses on other activities	- 9,781	- 8,860	29
Net banking income	**11,462**	**11,065**	
Operating expenses	- 6,837	- 6,426	30a, 30b
Depreciation, amortization and impairment of non-current assets	- 504	- 505	30c
Gross operating income	**4,121**	**4,135**	
Net additions to/reversals from provisions for loan losses	- 1,081	- 1,456	31
Operating income	**3,040**	**2,679**	
Share of net income (loss) of associates	- 149	33	15
Gains (losses) on other assets	16	66	32
Change in value of goodwill	- 27	- 9	33
Net income before tax	**2,880**	**2,768**	
Corporate income tax	- 1,057	- 925	34
Net income	**1,823**	**1,843**	
Net income attributable to minority interests	201	183	
Net income attributable to the Group	**1,622**	**1,660**	

*After taking account of IAS19-R and the accounting treatment of the investment in Banco Popular Español (see Note 1.1).

Net income and gains and losses recognized directly in shareholders' equity

In € millions	Dec. 31, 2012	Dec. 31, 2011 restated*	IFRS Notes
Net income	**1,823**	**1,843**	
Translation adjustments	2	- 5	
Remeasurement of available-for-sale financial assets	1,476	- 766	
Remeasurement of hedging derivative instruments	6	- 16	
Remeasurement of non-current assets	0	0	
Actuarial gains and losses on defined benefit plans	- 101	- 16	
Share of unrealized or deferred gains and losses of associates	- 17	- 18	
Total gains and losses recognized directly in shareholder's equity	**1,366**	**- 820**	**23c, 23d**
Net income and gains and losses recognized directly in shareholders' equity	**3,189**	**1,023**	
attributable to the Group	2,881	893	
attributable to minority interests	308	130	

The items relating to gains and losses recognized directly in shareholders' equity are presented net of tax effects.
*After taking account of IAS19-R and the accounting treatment of the investment in Banco Popular Español (see Note 1.1).

Statement of changes in shareholders' equity

In € millions	Capital stock	Additional paid in capital	Reserves [1]
Shareholders' equity at January 1st, 2011	**5,139**		**13,698**
Restatements related to change in IAS19-R accounting method			11
Restatements related to recognition of investment in Banco Popular Español			115
Shareholders' equity at January 1st, 2011, restated	**5,139**		**13,824**
Appropriation of earnings from previous year			1,961
Capital increase	- 59		
Distribution of dividend			- 164
Subtotal : movements arising from shareholder relations	**- 59**		**1,797**
Net income for the year			
Change in fair value of available-for-sale assets			
Change in actuarial gains and losses			
Subtotal			
Translation adjustments			16
Impact of changes in group structure	516		2,314
Other changes	0		0
Shareholders' equity at December 31st, 2011, restated	**5,596**		**17,951**
Shareholders' equity at January 1st, 2012	**5,596**		**17,951**
Appropriation of earnings from previous year			1,660
Capital increase	98		
Distribution of dividend			- 192
Subtotal : movements arising from shareholder relations	**98**		**1,468**
Net income for the year			
Change in fair value of available-for-sale assets			
Change in actuarial gains and losses			
Translation adjustments			
Subtotal			
Impact of changes in group structure	114		208
Other changes	0		0
Shareholders' equity at December 31st, 2012	**5,808**		**19,627**

1. Reserves at December 31, 2012 include a legal reserve of €211 million, regulatory reserves for a total of €3,233 million and other reserves amounting to €16,184 million.

Gains and losses recognized directly in equity				Net income attributable to the Group	Shareholders' equity attributable to the Group	Non-controlling interests	Total consolidated shareholders' equity
Translation adjustments	Available-for-sale assets	Hedging derivative instruments	Actuarial gains and losses				
	- 202	**- 89**		**1,961**	**20,508**	**3,431**	**23,938**
			- 52		- 42		- 42
					115		115
	- 202	**- 89**	**- 52**	**1,961**	**20,582**	**3,431**	**24,012**
				- 1,961			
					- 59		- 59
					- 164	- 111	- 275
				- 1,961	**- 223**	**- 111**	**- 334**
				1,660	1,660	183	1,843
	- 737	- 16			- 753	- 52	- 805
			- 14		- 14	- 2	- 16
	- 737	**- 16**	**- 14**	**1,660**	**893**	**129**	**1,022**
					16	4	20
- 6	103	23			2,950	- 1,071	1 879
0	0	0			- 1	0	- 1
- 6	**- 836**	**- 82**	**- 66**	**1,660**	**24,217**	**2,382**	**26,599**
- 6	**- 836**	**- 82**	**- 66**	**1,660**	**24,217**	**2,382**	**26,599**
				- 1,660			
					98		98
					- 192	- 92	- 284
				- 1,660	**- 94**	**- 92**	**- 186**
				1,622	1,622	201	1,823
	1,350	2			1,352	113	1,465
			- 97		- 97	- 4	- 101
4					4	- 2	2
4	**1,350**	**2**	**- 97**	**1,622**	**2,881**	**308**	**3,189**
					322	- 157	165
0	0	0			0	0	0
- 2	**514**	**- 80**	**- 163**	**1,622**	**27,326**	**2,441**	**29,767**

Consolidated statement of cash flows for the year ended December 31, 2012

	Dec. 31, 2012	Dec. 31, 2011 restated*
Net income	1,823	1,843
Corporate income tax	1,057	925
Income before income tax	**2,880**	**2,768**
+/- Net depreciation/amortization expense on property, equipment and intangible assets	509	494
- Impairment of goodwill and other non-current assets	16	34
+/- Net additions to/reversals from provisions and impairment losses	- 386	597
+/- Share of net income/loss of associates	88	- 8
+/- Net loss/gain from investment activities	260	- 193
+/- Income/expense from financing activities	0	0
+/- Other movements	- 1,126	3,386
= Total non-monetary items included in income before tax and other adjustments	**- 638**	**4,310**
+/- Cash flows relating to interbank transactions	- 8,282	8,759
+/- Cash flows relating to customer transactions	11,694	6,101
+/- Cash flows relating to other transactions affecting financial assets and liabilities	888	- 21,307
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	4,315	- 3,340
- Corporate income tax paid	- 774	- 1,157
= Net decrease/increase in assets and liabilities from operating activities	**7,842**	**- 10,944**
Net cash flows from (used in) operating activities	**10,084**	**- 3,866**
+/- Cash flows relating to financial assets and investments in non-consolidated companies	4,617	- 4,789
+/- Cash flows relating to investment property	- 344	- 105
+/- Cash flows relating to property, equipment and intangible assets	- 423	- 337
Net cash flows from (used in) investing activities	**3,850**	**- 5,232**
+/- Cash flows relating to transactions with shareholders	- 186	- 334
+/- Other cash flows relating to financing activities	4,465	7,057
Net cash flows from (used in) financing activities	**4,279**	**6,723**
Impact of movements in exchange rates on cash and cash equivalents	**- 7**	**103**
Net increase (decrease) in cash and cash equivalents	**18,205**	**- 2,271**
Net cash flows from (used in) operating activities	10,084	- 3,866
Net cash flows from (used in) investing activities	3,850	- 5,232
Net cash flows from (used in) financing activities	4,279	6,723
Impact of movements in exchange rates on cash and cash equivalents	- 7	103
Cash and cash equivalents at beginning of year	**3,458**	**5,729**
Cash accounts and accounts with central banks and post office banks	6,025	7,173
Demand loans and deposits – credit institutions	- 2,566	- 1,444
Cash and cash equivalents at end of period	**21,663**	**3,458**
Cash accounts and accounts with central banks and post office banks	10,068	6,025
Demand loans and deposits – credit institutions	11,595	- 2,566
Change in cash and cash equivalents	**18,205**	**- 2,271**

*After taking account of IAS19-R and the accounting treatment of the investment in Banco Popular Español (see note 1.1)

Notes to the consolidated financial statements

Note 1 Accounting principles and methods

Note 1.1 Accounting reference framework

Pursuant to regulation (EC) 1606/2002 on the application of international accounting standards and regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year ended December 31, 2012 have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2012. These standards include IAS 1 to 41, IFRS 1 to 8 and any SIC and IFRIC interpretations adopted at that date. Standards not adopted by the European Union have not been applied. The financial statements are presented in accordance with CNC recommendation 2009-R.04.

All IAS and IFRS were updated on November 3, 2008 by regulation 1126/2008, which replaced regulation 1725/2003. The entire framework is available on the European Commission's website at : http://ec.europa.eu/internal market/accounting/ias/index en.htm

The information on risk management required by IFRS 7 is shown in a specific section of the management report.

IAS 19R on employee benefits published in the Official Journal of the European Union dated June 5, 2012, application of which is mandatory as from January 1, 2013, has been applied early as from January 1, 2012.

The impacts of this early application of IAS 19R as of 12/31/2011 are shown in the table below :

	Impacts of first-time application
Deferred tax assets	+ 19
Provisions for pension costs	+ 53
Shareholders' equity attributable to the Group	- 32
Consolidated reserves	*+ 11*
Unrealized or deferred gains and losses	*- 66*
Net income for the year	*+ 23*
Shareholders' equity - Non-controlling interests	- 2

The impacts mainly concern retirement bonuses. The impacts on long-service awards and closed supplementary pension schemes are considered non-material.

At January 1, 2011, the impacts were as follows : Deferred tax assets + 23, provisions for pension costs + 65, consolidated reserves + 9 and unrealized or deferred gains and losses - 51.

Conversion adjustments on foreign entities expressed in foreign currencies were reclassified at 12/31/2011 with the following impact : consolidated reserves - 20, unrealized or deferred gains and losses + 20.

• Accounting treatment of long-term equity investment in Banco Popular Español – Correction of error

The Group's investment in Banco Popular Español (BPE) is recognized using the equity method for the first time with these financial statements, given the existence of significant influence between the Group and BPE. This significant influence is reflected in particular in the representation on the BPE Board of Directors, the existence of commercial agreements between the Crédit Mutuel networks in France and the BPE networks in Spain and Portugal, as well as a partnership in a banking joint venture in Spain.

These ties have been established since the end of 2010, such that this change is recognized for accounting purposes as a correction of an error in accordance with IAS 8. The impacts on the statement of financial position at year-end 2011 of the recognition of the investment in BPE using the equity method are as follows (in € million) :

	Restatement impacts
Available-for-sale financial assets	- 248
Equity-accounted investments	+ 388
Shareholders' equity attributable to the Group	+ 140
Consolidated reserves	*+ 82*
Unrealized or deferred gains and losses	*+ 43*
Net income for the year	*+ 14*

In the 2011 income statement, the restatement involves a €26.8 million increase in the line item "Share of net income of associates" and a €12.6 million reduction in the line item "Net gain (loss) on available-for-sale financial assets", i.e. a €14.2 million positive net impact on net income.

At January, 2011, the impacts were as follows : Available-for-sale financial assets -266, investments in associates + 381, consolidated reserves + 115.

The fair value of the investment in BPE pursuant to paragraph 37 of IAS 28 using stock market prices was €215.5 millions at the end of December 2012. An impairment test of the investment relative to its estimated value in use was performed at the end of the year, in accordance with the provisions of IAS 39 and IAS 36, resulting in no impairment charge at December 31, 2012.

• Standards and interpretations not yet applied

	Mandatory application date (years beginning from)	Consequences of application
Amendment IAS 1 – Presentation of details of OCI	01/01/2013	Limited
Amendment IFRS 7 – Offsetting of financial assets and liabilities	01/01/2013	Limited
Amendment IAS 32 – Offsetting of financial assets and liabilities	01/01/2014	Limited
IFRS 10-11-12 - IAS 28 – Standards related to the consolidation and financial information of non-consolidated entities	01/01/2014	Limited
IFRS 13 – Fair Value Measurement	01/01/2013	Limited

Note 1.2 Scope and basis of consolidation

• Consolidating entity

The Crédit Mutuel CM11 [1] Group (Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou) is a mutual group and member of a central body, in accordance with Articles L.511-30 et seq of the French Monetary and Financial Code. Crédit Mutuel's local Caisses, fully owned by their stock-owning members, are at the base of the Group, in line with an "inverted pyramid" capital control structure.

To effectively reflect the common interests of our members during consolidation, the consolidating entity is defined with a view to reflecting the shared links in terms of operations, financial solidarity and governance.

Within this framework, the consolidating entity at the head of the Group is made up of the companies placed under the same collective accreditation for banking activities, granted by the French Credit Institutions and Investment Firms Committee (CECEI).

In this way, the consolidating entity comprises :

– Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), Fédération du Crédit Mutuel du Sud-Est (FCMSE), Fédération du Crédit Mutuel Ile-de-France (FCMIDF), Fédération du Crédit Mutuel Savoie-Mont Blanc (FCMSMB), Fédération du Crédit Mutuel Midi-Atlantique (FCMMA), Fédération du Crédit Mutuel Loire Atlantique Centre Ouest (FCMLACO), Fédération du Crédit Mutuel du Centre (FCMC), Fédération du Crédit Mutuel de Normandie (FCMN), Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV), Fédération du Crédit Mutuel Méditerranée (FCMM) and Fédération du Crédit Mutuel d'Anjou (FCMA). As the policy bodies for the Groups, they determine their main policy guidelines, decide on their strategies and organize the representation of the Caisses.

– Caisse Fédérale de Crédit Mutuel (CF de CM), Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), Caisse Régionale du Crédit Mutuel d'Ile-de-France (CRCMIDF), Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc (CRCMSMB), Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA), Caisse Régionale du Crédit Mutuel Loire Atlantique Centre Ouest (CRCMLACO), Caisse Régionale du Crédit Mutuel du Centre (CRCMC), Caisse Régionale du Crédit Mutuel de Normandie (CRCMN), Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV), Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM) and Caisse Régionale du Crédit Mutuel d'Anjou (CRCMA). Serving the local Caisses, the Caisse Fédérale de Crédit Mutuel is responsible for the network's common services, ensures its coordination and manages the Group's logistics. It centralizes the funds held on deposit by the Caisses, while at the same time refinancing them and allocating funds on their behalf as required by regulations (mandatory reserves, allocated resources, deposits with the Caisse Centrale du Crédit Mutuel, etc.).

– The Crédit Mutuel Caisses that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB, FCMMA, FCMLACO, FCMC, FCMN, FCMDV, FCMM and FCMA : the latter represent the foundations for the Group's banking network

The analysis of the consolidating entity's control is compliant with IAS 27, making it possible to prepare the consolidated accounts in accordance with IFRS.

• Scope of consolidation

The general principles for the inclusion of an entity in the consolidation scope are defined in IAS 27, IAS 28 and IAS 31.

The consolidation scope comprises :

– **Entities under exclusive control :** exclusive control is considered as being exercised in cases where the Group holds a majority of the shares, directly or indirectly, and either the majority of the voting rights or the power to appoint the majority of members of the board of directors, executive board or supervisory board, or when the Group exercises a dominant influence. Entities that are controlled exclusively by the Group are fully consolidated.

– **Entities under joint control :** joint control is exercised by virtue of a contractual agreement, and is the shared control of an economic activity, irrespective of the structure or form under which that activity is conducted. Jointly controlled companies are consolidated using the proportional method.

– **Entities over which the Group exercises significant influence :** these are the entities that are not controlled by the consolidating entity, but in which the Group has the power to participate in determining their financial and operating policies. The share capital of the entities in which the Group exercises a significant influence is consolidated using the equity method.

Entities controlled by the Group or over which it exercises significant influence and which are not material in relation to the consolidated financial statements are not consolidated. This situation is presumed if the total statement of financial position or the income statement of an entity represents less than 1% of the related consolidated or sub-consolidated (if applicable) totals. This is a purely relative criterion:

1. The CM10-CIC Group became CM11-CIC on January 1st, 2012 with Fédération du Crédit Mutuel d'Anjou becoming a member of Caisse Fédérale de Crédit Mutuel.

an entity may be included in the consolidated group regardless of the 1% threshold if it is regarded as a strategic investment given its activity or its development

Special purpose entities (SPE) are consolidated if they meet the conditions for consolidation set out in SIC 12 (where the activities are conducted exclusively on behalf of the Group; the Group has the decision-making or management powers to obtain the majority of the benefits of the ongoing operations of the SPE; the Group has the capacity to benefit from the SPE; the Group retains the majority of the risks related to the SPE).

Shareholdings owned by private equity companies over which joint control or significant influence is exercised are excluded from the scope of consolidation and their value is accounted for under the fair value option.

Changes in the scope of consolidation

Changes in the scope of consolidation as of December 31, 2012 were as follows :

Additions to the scope of consolidation

– Banking network and network subsidiaries: Caisses Crédit Mutuel Anjou, Caisse Régionale Anjou, Fédération Anjou, Banco Popular Espanol, BECM Monaco.
– Insurance companies : Agrupacio AMCI, AMSYR, AMDIF, Assistencia Advancada Barcelona, Agrupacio Bankpyme Pensiones, Agrupacio Serveis Administratius, ACM RE.
– Other companies : Lafayette CLO, GEIE Synergie.

Mergers/acquisitions

Euro Protection Services with Euro Protection Surveillance, Laviolette Financement with Factocic, Procourtage with Atlancourtage, Pasche International Holding with Pasche Finance, SEHPL with EBRA, RL Voyages with GRLC, Cime et Mag with Les Editions de l'Echiquier, Sofiliest et Publicité Moderne with l'Est Républicain, Alsatic with AMP, Europe Régie, AME, SCI Roseau and SCI Ecriture with SFEJIC.

Removals from the scope of consolidation

Cofidis Romania, Pasche Fund Management Ltd, Pasche SA Montevideo, Serficom Investment Consulting (Shanghai) Ltd, Serficom Maroc Sarl, A Télé.

• Consolidation methods

The consolidation methods used are as follows :

Full consolidation

This method involves substituting for the value of the shares each of the assets and liabilities of each subsidiary and recognizing the interests of non-controlling shareholders in shareholders' equity and in the income statement. This method is applicable to all entities under exclusive control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating part.

Proportionate consolidation

This method involves the consolidation by the consolidating entity of the representative share of its interests in the accounts of the consolidated entity, after restatements if necessary, so that no allowance is made for non-controlling interests. This method is applicable to all entities under joint control, including entities that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party.

Consolidation using the equity method

This involves substituting for the value of the shares the Group's interest in the equity and in the earnings of the relevant entities. This method applies to entities over which the Group exercises significant influence.

• Closing date

All Group companies falling within the scope of consolidation have a December 31 closing date.

• Elimination of intercompany transactions

Intercompany transactions and the profits arising from transfers between Group entities that have a significant effect on the consolidated financial statements are eliminated.

Receivables, payables, reciprocal commitments, internal expenses and income are eliminated for entities subject to full and proportionate consolidation.

Translation of financial statements expressed in foreign currencies

The statements of financial position of foreign entities are translated into euro at the official year-end exchange rate. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Translation adjustments". Their income statements are translated into euros at the average exchange rate for the year (the Group considers that any differences between the average rate for the year and the rates applicable on each transaction date are immaterial), and the resulting differences are recorded under "Translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening statement of financial position as of January 1, 2004.

• **Goodwill**

Measurement differences

On taking control of a new entity, its assets, liabilities and any operating contingent liabilities are measured at fair value. Any difference between carrying amounts and fair value is recognized as goodwill.

Acquisition goodwill

In accordance with IFRS 3R, when the Bank acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Positive net effect of business combinations".

If the Group's stake in an entity it already controls increases/decreases, the difference between the acquisition cost/selling price of the shares and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the statement of financial position when it relates to fully-consolidated companies and under the heading "Investments in associates" when it relates to equity-accounted companies. Goodwill does not include direct expenses associated with acquisitions, which are required to be expensed under IFRS 3R.

Goodwill is tested for impairment regularly and at least once a year. The tests are designed to identify whether goodwill has suffered a prolonged decline in value. If the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These impairment losses on goodwill – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the Group's business lines.

Non-controlling interests

These correspond to interests that do not provide control, as defined in IAS 27, and incorporate those instruments representing current ownership interests that entitle the owner to a pro rata share of the net assets of the entity in the event of liquidation, and other equity instruments issued by the subsidiary and not owned by the Group.

Note 1.3 Accounting principles and methods

IFRS offer a choice of accounting methods for certain items. The main options adopted by the Group relate to the following:

– The valuation at fair value of certain liabilities issued by the company and not included in the trading book.

– The Group has opted for the principle of eligibility for fair value hedge accounting for macro-hedges established within the framework of asset-liability management concerning fixed income positions (including in particular customer sight deposits) as authorized by regulation no. 2086/2004 of the European Commission.

– The Group used the October 2008 amendment to IAS39 to reclassify certain financial instruments recognized at fair value as loans and receivables or as assets held-to-maturity. Reclassifications to available-for-sale assets are also possible.

Note 1.3.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended at the time of their acquisition or grant to be sold. They include loans granted directly by the Group or its share in syndicated loans, purchased loans and debt securities that are not listed on an active market. Loans and receivables are measured at fair value, which is usually the net amount disbursed at inception.

The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks. They are subsequently carried at amortized cost using the effective interest rate method (other than for loans and receivables carried at fair value by option).

Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.

The fair value of loans and receivables is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Note 1.3.2 Impairment of loans and receivables, financing commitments and financial guarantees given, and available-for-sale or held-to-maturity instruments

Individual impairment of loans

Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at the end of each reporting period. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Loans on which one or more installments are more than three months past due (six months in the case of real estate loans and nine months for local authority loans) are deemed to represent objective evidence of impairment. Likewise, an impairment loss is recognized when it is probable that the borrower will not be able to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

Impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses. Reversals of impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses for the portion relating to the change in risk and in net interest for the portion relating to the passage of time. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under "provisions" in liabilities for financing and guarantee commitments.

Loan losses are recorded in losses and the corresponding impairments and provisions are written back.

Collective impairment of loans

Customer loans that are not individually impaired are risk-assessed on the basis of loans with similar characteristics. This assessment draws upon internal and external rating systems, the estimated probability of default, the estimated loss rate, and the amount of loans outstanding. Portfolio-based impairment is deducted from the carrying amount of the assets concerned, while any movements in impairment are included in "Net additions to/reversals from provisions for loan losses" in the income statement.

Note 1.3.3 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

Finance leases – lessor accounting

In accordance with IAS 17, finance lease transactions with non-Group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in :

– the recognition of a financial receivable due from the customer, reduced in line with the lease payments received ;
– the breakdown of lease payments between principal repayments and interest, known as financial amortization ;
– the recognition of an unrealized reserve, equal to the difference between:
  • the net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year ;
  • the net carrying amount of the leased non-current assets ;
  • the deferred tax provision.

Finance leases – lessee accounting

In accordance with IAS 17, assets acquired under finance leases are included in property and equipment and an amount due to credit institutions is recorded as a liability. Lease payments are broken down between principal repayments and interest.

Note 1.3.4 Acquired securities

The securities held are classified into the three categories defined in IAS 39, namely financial instruments at fair value through profit or loss, financial assets held to maturity, and financial assets available for sale.

Financial assets and liabilities at fair value through profit or loss

Classification

Financial instruments at fair value through profit or loss comprise :

1. financial instruments held for trading purposes, consisting mainly of instruments that :
   a. were acquired or incurred principally for the purpose of selling or repurchasing them in the near term; or
   b. are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking ; or
   c. represent derivatives not classified as hedges.
2. financial instruments designated at inception as at fair value through profit or loss in accordance with the option provided by IAS 39, for which application guidance was given in the amendment published in June 2005. This option is designed to help entities produce more relevant information, by enabling :
   a. certain hybrid instruments to be measured at fair value without separating out embedded derivatives whose separate measurement would not have been sufficiently reliable ;
   b. a significant reduction in accounting mismatches regarding certain assets and liabilities ;
   c. a group of financial assets and/or liabilities to be managed and monitored for performance in accordance with a documented risk management or investment strategy on a fair value basis.

This Group used this option mainly in connection with insurance business units of account contracts in line with the treatment for liabilities, as well as the securities held in the private equity portfolio and certain debt securities with embedded derivatives.

Basis for recognition and measurement of related income and expenses

Financial instruments included in this category are recognized in the statement of financial position at fair value up to the date of their disposal. Changes in fair value and in interest received or accrued on fixed-income securities are taken to the income statement under “Net gain/ (loss) on financial instruments at fair value through profit or loss”.

Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income. Fair value also incorporates an assessment of counterparty risk on these securities.

Fair value or market value

Fair value 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 value of an instrument upon initial recognition is generally its transaction price.

If the instrument is traded on an active market, the best estimate of fair value is the quoted price.

The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price, and for an asset to be acquired or liability held, the ask price.

When the bank has assets and liabilities with offsetting market risks, the net position is valued at the bid price for a net asset held or a net liability to be issued and at the ask price for a net asset to be acquired or liability held. A market is deemed to be active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions in very similar instruments carried out on an arm’s length basis.

If the market for a financial instrument is not active, fair value is established using a valuation technique.

Derivatives are remeasured based on available observable market data such as yield curves to which the bid/ask price is then applied.

A multi-criteria approach is adopted to determine the value of securities held in the private equity portfolio, backed by historical experience of valuing unlisted companies.

Criteria for classification and rules of transfer

Market conditions may cause the Crédit Mutuel Group to review its investment and management strategy of these securities. Thus, when it appears inappropriate to sell securities initially acquired for the purpose of selling them in the near term, these securities may be reclassified under the specific provisions provided for by the October 2008 amendment to IAS 39. Transfers to “Available for sale financial assets” or “Held to maturity financial assets” categories are authorized in exceptional circumstances. Transfers to the “Loans and receivables” category are contingent upon the Group’s intention and ability to retain ownership of such securities in the foreseeable future or until maturity. The purpose of these portfolio transfers is to better reflect the new intention to manage these instruments, and to give a more faithful picture of their impact on the Group profit or loss.

Available-for-sale financial assets

Classification

Available-for-sale financial assets are financial assets that have not been classified as “loans and receivables”, ”held-to-maturity financial assets” or “financial assets at fair value through profit or loss”.

Basis for recognition and measurement of related income and expenses

Available-for-sale financial assets are carried at fair value until disposal. Changes in fair value are shown on the “Unrealized or deferred gains and losses” line within a specific equity account, excluding accrued income. These unrealized or deferred gains or losses recognized in equity are only transferred to the income statement in the event of disposal or a lasting impairment in value. On disposal or recognition of a lasting impairment in value, the unrealized gains and losses recorded in equity are transferred to the income statement under “Net gain/ (loss) on available-for-sale financial assets”. Purchases and sales are recognized at the settlement date.

Income received or accrued from fixed-income available-for-sale securities is recognized in the income statement under “Interest income”. Dividend income relating to variable-income available-for-sale securities is taken to income under “Net gain/ (loss) on available-for-sale financial assets”.

Impairment of available-for-sale debt instruments

Impairment losses are recognized in “Net additions to/reversals from provisions for loan losses” and are reversible. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Impairment of available-for-sale equity instruments

An equity instrument is impaired when there is objective evidence of impairment, either in the event of a) a significant or lasting decline in the fair value to below cost ; or b) information regarding significant changes that have a negative impact and have arisen in the technological environment prevailing in the economic or legal market in which the issuer operates and which indicates that the cost of the investment may not be recovered.

In the case of an equity instrument, the loss of at least 50% of its value compared with its acquisition cost or a loss of value lasting more than 36 consecutive months implies an impairment. Such instruments are analyzed on a line-by-line basis. Judgment must also be exercised for securities that do not meet the above criteria but for which it is considered that recovery of the amount invested in the near future cannot reasonably be expected.

Impairment is recognized under “Net gain/ (loss) on available-for-sale financial assets” and is irreversible so long as the instrument is carried in the statement of financial position. Any subsequent impairment is also recognized in the income statement. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Criteria for classification and rules of transfer

Fixed-income securities may be reclassified:

– Into "Held-to-maturity financial assets" in the event of a change in the management intention, and provided that they fulfill the eligibility conditions of category;

– Into "Loans and receivables" in the event of a change in the management intention, the ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category;

In the event of transfer, the fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost. No gain or loss recognized before the date of transfer can be written back.

In the event of a transfer of instruments with a fixed maturity from "Available-for-sale financial assets" to the "Held-to-maturity financial assets" or "Loans and receivables" categories, the unrealized gains and losses previously deferred in equity are amortized over the remaining life of the asset. In the case of a transfer of instruments without a fixed maturity date to the "Loans and receivables" category, the previously deferred unrealized gains and losses remain in equity until the disposal of the securities.

Held-to-maturity financial assets

Classification

Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity, other than those that the Group has designated at fair value through profit or loss or as available for sale. The positive intention and ability to hold to maturity are assessed at the end of each reporting period.

Basis for recognition and measurement of related income and expenses

Held-to-maturity investments are recognized at fair value upon acquisition. Transaction costs are deferred and included in the calculation of the effective interest rate, unless they are not material in which case they are recognized immediately through profit or loss. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, which builds in the actuarial amortization of premiums and discounts corresponding to the difference between the purchase price and redemption value of the asset.

Income earned from this category of investments is included in "Interest income" in the income statement.

Impairment

Should a credit risk arise, impairment on held-to-maturity financial assets is calculated in the same way as for loans and receivables.

Criteria for classification and rules of transfer

This category includes fixed or determinable income securities, with a fixed maturity date, and which the Crédit Mutuel Group has the intention and ability to hold until maturity.

Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39.

Furthermore, disposals or transfers of securities in this portfolio are very restricted, due to the provisions laid down in IAS 39 ; breaching this rule would entail the declassification of the whole portfolio at the Group level, and forbid access to this category for two years.

Fair value hierarchy of financial instruments

There are three levels of fair value of financial instruments, as defined by IFRS 7 :

– level 1: prices quoted on active markets for identical assets or liabilities;

– level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices);

– level 3: data relating to the asset or liability that are not based on observable market data (non-observable data).

Derivatives and hedge accounting

Financial instruments at fair value through profit or loss – derivatives

A derivative is a financial instrument:

– whose fair value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, credit rating or credit index, or other variable – sometimes called the "underlying";

– which requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts exhibiting a similar response to changes in market factors;

– which is settled at a future date.

Derivatives are classified as financial instruments held for trading except when they are part of a designated hedging relationship.

Derivatives are recorded in the statement of financial position under financial instruments at fair value through profit or loss. Changes in fair value and interest accrued or payable are recognized in "Net gain/ (loss) on financial instruments at fair value through profit or loss".

Derivatives qualifying for hedge accounting in accordance with IAS 39 are classified as "fair value hedges" or "cash flow hedges", as appropriate. All other derivatives are classified as trading assets or liabilities, even if they were contracted for the purpose of hedging one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

Embedded derivatives are separated from the host contract and accounted for as a derivative at fair value through profit or loss provided that they meet the following three conditions:

– the hybrid instrument is not measured at fair value through profit or loss;

– the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

– the separate measurement of the embedded derivative is sufficiently reliable to provide useful information.

Financial instruments at fair value through profit or loss – derivatives – structured products

Structured products are products created by bundling basic instruments – generally options – to exactly meet client needs. There are various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, lookback options, options on several assets and index swaps.

There are three main methods of valuing these products: methods consisting of solving a partial differential equation, discrete time tree methods and Monte Carlo methods. The first and third methods are used. The analytical methods used are those applied by the market to model the underlyings.

The valuation parameters applied correspond to observed values or values determined using a standard observed values model at the end of the reporting period. If the instruments are not traded on an organized market, the valuation parameters are determined by reference to the values quoted by the most active dealers in the corresponding products or by extrapolating quoted values. All these parameters are based on historical data. The parameters applied to measure the value of unquoted forward financial instruments are determined using a system that provides a snapshot of market prices. Every day, at a fixed time, the bid and ask prices quoted by several market players, as displayed on the market screens, are recorded in the system. A single price is fixed for each relevant market parameter.

Certain complex financial instruments – mainly customized equity barrier options with single or multiple underlyings presenting low levels of liquidity and long maturities – are measured using internal models and valuation inputs such as long volatilities, correlations, and expected dividend flows where no observable data can be obtained from active markets. Upon initial recognition, these complex financial instruments are recorded in the statement of financial position at their transaction price, which is deemed to be the best indication of fair value even though the result of the model-based valuation may differ. The difference between the price at which a complex instrument is traded and the value obtained from internal models, which generally represents a gain, is known as "*day one profit*". IFRS prohibit the recognition of a margin on products valued using models and parameters that are not observable on active markets. The margin is therefore deferred. The margin realized on options with a single underlying and no barrier is recognized over the life of the instrument. The margin on products with barrier options is recognized upon maturity of the structured product, due to the specific risks associated with the management of these barriers.

Hedge accounting

IAS 39 permits three types of hedging relationship. The hedging relationship is selected on the basis of the type of risk being hedged. A fair value hedge is a hedge of the exposure to changes in fair value of a financial asset or liability and is mainly used to hedge the interest rate risk on fixed-rate assets and liabilities and on demand deposits, as permitted by the European Union. A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a financial asset or liability, firm commitment or highly probable forecast transaction. Cash flow hedges are used in particular for interest rate risk on variable-rate assets and liabilities, including rollovers, and for foreign exchange risk on highly probable foreign currency revenues. Hedges of a net investment in a foreign operation are a special type of cash flow hedge.

At the inception of the hedge, the Group documents the hedging relationship, i.e. that between the item being hedged and the hedging instrument. This documentation describes the management objectives of the hedging relationship, as well as the type of risk covered, the hedged item and hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Hedge effectiveness is assessed at the inception of the hedge and subsequently at least at the end of each reporting period.

The ineffective portion of the hedge is recognized in the income statement under "Net gain/ (loss) on financial instruments at fair value through profit or loss".

Fair value hedging instruments

The portion corresponding to the rediscounting of a derivative financial instrument is recorded in the income statement under the line item “Interest income, interest expense and equivalent - Hedging derivative instruments”, symmetrically to the interest income or expenses relating to the hedged item.

In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss, under the line item “Net gain (loss) on financial instruments at fair value through profit or loss” symmetrically to the remeasurement of the hedged item to reflect the hedged risk through profit or loss. This rule also applies if the hedged item is accounted for at amortized cost or if it is a financial asset classified as available for sale. If the hedging relationship is perfectly effective, the fair value change in the hedging instrument offsets the change in fair value of the hedged item.

The hedge must be considered as “highly effective” to qualify for hedge accounting. The change in fair value or cash flows attributable to the hedging instrument must practically offset the change in the hedged item’s fair value or cash flows. The ratio between those two changes must lie within the range of 80% and 125%.

If the hedging relationship is interrupted, or the effectiveness criteria are not fulfilled, the hedge accounting ceases to be applied on a prospective basis. Hedge derivatives are reclassified as trading instruments and are recognized as per the principles applied to that category. The value of the hedged element in the statement of financial position is subsequently not adjusted to reflect changes in fair value, and the cumulative adjustments related to the hedge are amortized over the remaining life of the hedged item. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is immediately recognized in income.

Fair value hedging instruments - interest rate risk

The amendments introduced by the European Union to IAS 39 in October 2004 make it possible to include customer demand deposits in fixed rate liability portfolios.

For each portfolio of assets or liabilities, the bank checks that there is no excess hedging, and does so by pillar business line and at each reporting date.

The liability portfolio is scheduled over time, under the estimates for future cash flows defined by the ALM unit.

Changes in fair value of the interest rate risk on the hedged instrument portfolios are recorded in a special line item of the statement of financial position called “Remeasurement adjustment on investments hedged against interest rate risk”, the counterpart being an income statement line item.

Cash flow hedging instruments

In the case of a cash flow hedge relationship, the gains or losses on effective hedging instruments are recognized in shareholders’ equity under the line item “Unrealized or deferred gains and losses relating to cash flow hedging derivatives”, while the ineffective portion is recognized in the income statement under the “Net gains and losses on financial instruments at fair value through profit or loss” heading.

The amounts recognized in shareholders’ equity are carried to the income statement under the “Interest income, interest expense and equivalent” heading, at the same rate as the cash flows of the hedged item affect the income statement. The hedged items remain recognized in accordance with the specific provisions for their accounting category.

If the hedging relationship is interrupted, or if the effectiveness criteria are not fulfilled, the hedge accounting ceases to be applied. Cumulative amounts recognized in shareholders’ equity as a result of the remeasurement of a hedging derivative remain recognized in equity until the hedged transaction affects earnings or when it becomes apparent that the transaction will not take place. These amounts are subsequently carried to the profit and loss account.

Reclassifications of debt instruments

Fixed income securities or debt instruments valued at fair value through profit or loss can be reclassified into the following categories :

a. “Financial assets held to maturity”, only in rare cases, if management’s intention has changed, and provided that they fulfill the eligibility conditions of this category;

b. “Loans and receivables” in the event of a change in management’s intention or ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of category ;

c. “Available for sale” only in rare cases.

Fixed income securities or debt instruments available for sale may be reclassified into the following categories:

a- “Financial assets held to maturity”, in the event of a change in management’s intention or ability, and provided that they fulfill the eligibility conditions of this category;

b. “Loans and receivables”, in case the Group has the intention and ability to hold the financial assets in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of category.

In the event of a reclassification, the fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost. No gain or loss recognized before the date of transfer can be derecognized.

In the event of a transfer of debt instruments with a fixed maturity from the category “Financial assets available for sale” to the “Financial assets held to maturity” or “Loans and receivables” categories, the unrealized gains and losses, previously deferred in equity are amortized over the remaining life of the asset. In case of a reclassification of debt instruments with no fixed maturity to the “Loans and receivables” category, the previously deferred unrealized gains and losses remain in equity until the disposal of the securities.

Note 1.3.5 Debt represented by a security

Debts evidenced by certificates (certificates of deposit, interbank market securities, bonds, etc.), not classified under the fair value option, are accounted for at their issue value, in most cases minus the transaction costs.

These debt securities are subsequently measured at amortized cost using the effective interest method.

Some "structured" debt instruments may include embedded derivatives. These embedded derivatives are separated from the host contracts if the separation criteria are satisfied and they can be valued reliably.

The host contract is recognized at amortized cost at a later stage. Its fair value is determined based on quoted market prices or valuation models.

Note 1.3.6 Subordinated debt

Term or perpetual subordinated debt is separated from debt securities, because their redemption, should the debtor enter liquidation, is only possible after all the other creditors have been paid. Such debt is valued at amortized cost.

Note 1.3.7 Distinction between Debt and Shareholders' equity

According to the IFRIC 2 interpretation, shares owned by member-shareholders are equity if the entity has an unconditional right to refuse redemption, or if there are legal or statutory provisions prohibiting or seriously restricting redemption. In view of the existing legal or statutory provisions, the shares issued by the structures making up the consolidating entity of the Crédit Mutuel Group are recognized in equity.

The other financial instruments issued by the Group qualify as debt instruments for accounting purposes, where there is a contractual obligation for the Group to provide cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

Note 1.3.8 Provisions

Additions to and reversals from provisions are classified according to the nature of the corresponding income and expense items. The provision is shown within liabilities on the statement of financial position.

A provision is recognized when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted, where appropriate, to determine the amount of the provision.

The provisions made by the Group cover in particular :

– Legal risk;
– Social commitments ;
– Execution risk on off-statement of the financial position commitments ;
– Litigation risk and guarantee commitments given ;
– Tax risks ;
– Risks related to home savings accounts and plans.

Note 1.3.9 Amounts due to customers and credit institutions

Debt securities include fixed-or determinable income financial liabilities. They are recognized at their market value when they are posted to the statement of financial position, and are subsequently valued at reporting date at amortized cost using the effective interest method, except for those that have been recognized under the fair value option.

Regulated savings contracts

The "comptes épargne logement" (CEL – home savings accounts) and "plans épargne logement" (PEL - home savings plans) are products regulated by French law, which are available to customers (natural persons). These products combine a stage of interest-bearing savings, which give right to a preferential housing loan in a second stage. They generate two types of commitments for the distributing institution:

– A commitment to pay future interest on the amounts deposited as savings at a fixed rate for the PEL and variable-rate equivalent for the CEL (periodically revised on the basis of an indexation formula);
– A commitment to grant a loan to the customers who request it at predetermined conditions (both for the PEL and the CEL).

These commitments have been estimated on the basis of customer behavior statistics and market inputs. A provision has been made on the liabilities side of the statement of financial position to cover future charges related to the potentially unfavorable conditions of such products, compared to the interest rates offered to individual customers for similar products, but not regulated in terms of their interest rate. This approach results in the generation of homogeneous regulated terms for the PEL and the CEL. The impact on the income statement is recognized as "Interest paid to customers".

Note 1.3.10 Cash and cash equivalents

Cash and cash equivalents consolidate the cash accounts, deposits and demand loans and borrowings relating to central banks and credit institutions.

In the statement of cash flows, UCITS are classified as an "operational activity" and therefore do not need to be reclassified.

Note 1.3.11 Employee benefits

Since January 1, 2012, employee benefits have been recognized in accordance with IAS 19-R applied early. The new provisions result in the following:
– for defined benefit post-employment benefits, the immediate recognition of actuarial variances as unrealized or deferred gains or losses in equity and the immediate recognition of plan changes through profit or loss, the application to the plan's assets of the discount rate used for the debt and more detailed information provided in the notes;
– for short-term benefits, a new definition for benefits expected to be paid in full within the 12 months following the end of the year in which the related services were rendered (and no longer "payable within the 12 months…").

Social obligations are subject, where relevant, to a provision reported under the line item "Provisions". A change in this item is recognized in the income statement under the "Employee expense" heading, except for the portion resulting from actuarial variances, which is recognized as unrealized or deferred gains or losses in equity.

Defined benefit post-employment benefits

These benefits include retirement plans, early retirement pensions, and additional retirement plans, under which the Group has a formal or implicit liability to provide benefits promised to employees.

These obligations are calculated using the projected unit credit method, which involves awarding benefits to periods of service under the contractual formula for calculating the retirement plan benefits, subsequently discounted on the basis of demographic and financial assumptions, including :
– The discount rate, determined by reference to the long-term interest rates of high-quality corporate bonds, at year-end;
– The rate of wage increase, assessed according to the age group, the management/non-management category, and regional features;
– The rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;
– Rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations and dismissals over the total number of employees working in the company under non-fixed term contracts at the financial year-end;
– The age of retirement: an estimate is made by individual on the basis of real or estimated date of entry in the working life and assumptions related to the retirement reform legislation (Fillon law), with a maximum ceiling at age 67;
– The mortality according to INSEE (the French National Institute for Statistics and Economic Studies) TF 00-02 table.

The differences arising from changes in these assumptions and from the differences between previous assumptions and actual results represent actuarial variances. If the retirement plan has assets, these are valued at their fair value, and affect the income statement for the expected yield. The difference between the real and expected yield is also an actuarial variance.

Actuarial variances are recognized as unrealized or deferred gains or losses in equity. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

Supplementary benefits provided by pension funds

The AFB stepping stone agreement of September 13, 1993 modified the pension plans of credit institutions. Since January 1, 1994, all banks are members of the French pension plans of Arrco and Agirc. The four pension funds of which the Group's banks are members have been merged. They provide for the payment of the various charges required by stepping stone agreement, drawing on their reserves completed if necessary by additional annual contributions paid in by the member banks concerned and whose average rate over the next ten years is capped at 4% of the payroll expense. After the merger, the pension fund was transformed into an IGRS (public institution to manage additional retirement benefits) in 2009. It has no asset shortfall.

Other post-employment defined benefits

A provision is recognized for long service awards and supplementary retirement benefits, including special plans. They are valued on the basis of entitlements acquired by all the staff in active service, notably on the basis of staff turnover in the consolidated entities and the estimated future salaries and wages to be paid to the beneficiaries at the time of their retirement, increased where appropriate by social security contributions. The long service awards of the Group's banks in France are covered up to at least 60% by an insurance contract taken out with ACM Vie, an insurance company of the Crédit Mutuel Group, which is fully consolidated.

Defined contribution post-employment benefits

The Group's entities contribute to a number of pension plans managed by organizations that are independent from the Group, for which the entities have no additional formal or implicit payment obligation, in particular if the assets in the pension plans are not sufficient to meet liabilities.

As these plans do not represent obligations of the Group, they are not subject to a provision. The related expenses are recognized in the financial year in which the contributions must be paid.

Long-term benefits

These are benefits to be paid, other than post-employment benefits and termination benefits, which are expected to be paid more than 12 months after the end of the period during which the employee rendered the related service, for example long service awards, time savings accounts, etc.

The Group's obligation in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in the income statement for the accounting period.

Obligations in respect of long service awards are sometimes covered by insurance policies. A provision is established only for the uncovered part of these obligations.

Employee supplementary retirement plans

Employees of the Crédit Mutuel CM11 and CIC Groups benefit from, as a complement to the mandatory retirement plans, a supplementary retirement plan offered by ACM Life SA.

Employees of the CM11 Group benefit from two supplementary retirement plans, one with defined contributions and the other with defined benefits. The rights under the defined contributions plan are vested even if the employee leaves the company, unlike the rights under the defined benefits plan which, in accordance with the new regulation, only vest definitively when the employee leaves the company to retire.

The total amount of the obligation was €773 million as of December 31, 2012, covered by technical reserves of €742 million and €46 million worth of mathematical reserves for defined benefit plans recognized on the liabilities side of the ACM VIE SA statement of financial position. These figures represent all the beneficiaries.

In addition to the mandatory retirement plans, CIC Group's employees benefit from a supplementary defined contribution plan from ACM Vie SA. The obligation relating to this plan amounted to €326 million as of December 31, 2012, covered by €340 million worth of special technical provisions recognized on the liabilities side of the ACM Vie statement of financial position, including all beneficiaries.

Termination benefits

These benefits are granted by the Group on termination of the contract before the normal retirement date, or following the employee's decision to accept voluntary termination in exchange for an indemnity. The related provisions are updated if their payment is to occur more than 12 months after the reporting date.

Short-term benefits

These are benefits which are expected to be paid within the 12 months following the end of the financial year, other than termination benefits, such as salaries and wages, social security contributions and a number of bonuses.

An expense is recognized relating to these short-term benefits for the financial year during which the service rendered to the Company has given rise to such entitlement.

Note 1.3.12 Insurance

The accounting principles and valuation rules of the assets and liabilities generated by the issuance of insurance policies have been drawn up in accordance with IFRS 4. This also applies to reinsurance policies, whether issued or subscribed, and to financial contracts including a discretionary profit-sharing clause.

The other assets held and liabilities issued by insurance companies follow the rules common to all of the Group's assets and liabilities.

Assets

Financial assets, investment properties and fixed assets follow the accounting methods described elsewhere.

However, financial assets representing technical provisions related to unit-linked contracts are shown under the line item "Financial assets at fair value through profit or loss".

Liabilities

Insurance liabilities, which represent liabilities to policyholders and beneficiaries, are shown under the line item "Technical reserves of insurance policies". They are measured, accounted for and consolidated as under the French standards.

Technical reserves of life insurance policies consist mainly of mathematical reserves, which generally correspond to the surrender value of the policies. The risks covered mainly include death, disability and incapacity for work (for borrower's insurance).

Technical reserves of unit-linked contracts are measured, on the reporting date, based on the realizable value of the assets underlying these contracts.

Reserves of non-life insurance policies correspond to unearned premiums (portion of premiums issued related to subsequent years) and claims payable.

Insurance policies that have a discretionary profit-sharing clause are subject to "shadow accounting". The resulting provision for deferred profit-sharing represents the share of capital gains and losses accruing to policyholders. These provisions for deferred profit-sharing are recognized on the assets or liabilities side, by legal entity and without compensation between entities in the scope of consolidation. On the assets side, these are recorded under a separate heading.

On the reporting date, the liabilities carried for these policies (net of other related asset or liability items such as deferred acquisition expenses and the value of the portfolios acquired) are tested to check that they are sufficient to cover the future cash flows estimated at this date. Any shortfall in technical provisions is recognized in income for the period (and may be reversed at a later stage).

Income statement

Income and expenses recognized for the insurance policies issued by the Group are shown under the "Income from other activities" and "Expenses on other activities" line items.

Income and expenses pertaining to the proprietary trading activities of the insurance entities are recognized under the line items related to them.

Note 1.3.13 Property and equipment and intangible assets

Property and equipment and intangible assets shown in the statement of financial position comprise assets used in operations and investment property. Assets used in operations are those used in the provision of services or for administrative purposes. Investment property comprises assets held to earn rentals or for capital appreciation, or both. Investment property is accounted for at cost, in the same way as assets used in operations.

Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs incurred in the construction or adaptation of property assets are not capitalized.

Subsequent to initial recognition, property and equipment are measured using the historical cost method, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. CIC has adopted the component approach for property used in operations and investment property.

The depreciable amount is cost less residual value, net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.

Depreciation and amortization is calculated over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity. Intangible assets that have an indefinite useful life are not amortized.

Depreciation and amortization of assets used in operations is recognized in "Allowance / write-back of amortization and provisions for fixed operating assets" in the income statement.

Depreciation and amortization relating to investment properties is recognized in "Expenses of the other activities" in the income statement.

The depreciation and amortization periods are :

Property and equipment:

- Land, fixtures, utility services : 15-30 years
- Buildings – structural work : 20-80 years (depending on the type of building in question)
- Construction – equipment : 10-40 years
- Fixtures and installations : 5-15 years
- Office equipment and furniture : 5-10 years
- Safety equipment : 3-10 years
- Rolling stock : 3-5 years
- Computer equipment : 3-5 years

Intangible fixed assets :

- Software bought or developed in-house : 1-10 years
- Businesses acquired : 9-10 years (if acquisition of customer contract portfolio)

Depreciable and amortizable assets are tested for impairment when there is evidence at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets (such as leasehold rights) are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. The carrying amount after reversal of the impairment loss cannot exceed the carrying amount which would have been calculated if no impairment had been recognized.

Impairment losses relating to operating assets are recognized in the income statement in "Depreciation, amortization and impairment of property, plant and equipment and intangible assets".

Impairment losses relating to investment properties are recognized in "Expenses on other activities" (for additional impairment losses) and "Income from other activities" (for reversals) in the income statement.

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in "Net gain/ (loss) on disposals of other assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

Note 1.3.14 Corporate income tax

This item includes all current or deferred income taxes.

Current income tax is calculated based on applicable tax regulations.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax basis, except for goodwill.

Deferred taxes are calculated using the liability method, based on the latest enacted tax rate applicable to future periods.

Net deferred tax assets are recognized only in cases where their recovery is considered highly probable. Current and deferred taxes are recognized as tax income or expense, except deferred taxes relating to unrealized or deferred gains and losses recognized in equity, for which the deferred tax is taken directly to equity.

Deferred tax assets and liabilities are offset when they arise within a single tax entity or tax group, are subject to the tax laws of the same country, and there is a legal right of offset.

They are not discounted.

Note 1.3.15 Interest paid by the French Government on some loans

Within the framework of aid to the rural and agricultural sector, as well as the purchase of residential property, some Group entities provide loans at low interest rates, set by the Government. Consequently, these entities receive from the government a contribution equal to the rate differential between the interest rate offered to customers and the predefined benchmark rate. Therefore, no discount is recognized in respect of the loans benefiting from these subsidies.

The structure of the offset mechanism is reviewed by the government on a periodic basis.

The contribution received from the government is recorded in the "Interest and similar income" line and spread over the life of the corresponding loans, pursuant to IAS 20.

Note 1.3.16 Financial guarantees and financing commitments given

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, these financial guarantees are still measured using French GAAP (i.e. as off-balance sheet items), pending an addition to the standards to enhance the current mechanism. Consequently, these guarantees are subject to a provision in liabilities in the event of a likely outflow of resources.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a non-financial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IAS 39. These guarantees are thus treated as derivatives.

Financing commitments that are not regarded as derivatives within the meaning of IAS 39 are not shown in the statement of financial position. However, a provision is made in accordance with IAS 37.

Note 1.3.17 Foreign exchange transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the year-end exchange rate.

Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gain/ (loss) on financial instruments at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement if the items are classified at fair value through profit or loss under "Net gain/ (loss) on financial instruments at fair value through profit or loss", or under "Unrealized or deferred gains and losses" if they are classified as available-for-sale.

When consolidated investments denominated in a foreign currency are financed by a loan taken out in the same currency, the loan concerned is covered by a cash flow hedge.

Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of shareholders' equity, under "Cumulative translation adjustment". The income statements of foreign subsidiaries are translated into euro at the average exchange rate for the year, and the resulting translation differences are recorded under "Cumulative translation adjustment". On liquidation or disposal of some or all of the interests held in a foreign entity, the corresponding portion of this cumulative translation adjustment is recognized through the income statement.

Note 1.3.18 Non-current assets held for sale and discontinued operations

A non-current asset (or group of assets) is classified in this category if it is held for sale and it is highly probable that the sale will occur within 12 months of the end of the reporting period.

The related assets and liabilities are shown separately in the statement of financial position, on the lines "Noncurrent assets held for sale" and "Liabilities associated with non-current assets held for sale". Items in this category are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated/ amortized.

When assets held for sale or the associated liabilities become impaired, an impairment loss is recognized in the income statement.

Discontinued operations include operations that are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/ (loss) on discontinued operations and assets held for sale".

Note 1.3.19 Judgments made and estimates used in the preparation of the financial statements

Preparation of the financial statements may require the use of assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements.

This requires managers to draw upon their judgment and experience and make use of the information available at the date of preparation of the financial statements when making the necessary estimates. This applies in particular to:

– the impairment of debt and equity instruments,

– the use of calculation models when valuing financial instruments that are not listed on an active market and are classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss";

– the assessment of the active nature of certain markets;

– calculation of the fair value of financial instruments that are not listed on an active market and are classified in "Loans and receivables" or "Held-to-maturity financial assets" for which this information must be provided in the notes to the financial statements;

– impairment tests performed on intangible fixed assets,

– measurement of provisions, including retirement obligations and other employee benefits.

Notes to the consolidated financial statements

The notes to the financial statements are presented in millions of euros.

Note 2 Analysis of statement of financial position and income statement items by activity and geographic region

The Group's activities are as follows :

– Retail banking brings together the Crédit Mutuel CM11 network, CIC's regional banks, Targobank Germany, Targobank Spain, Cofidis, Banco Popular Español, Banque Marocaine du Commerce Exterieur,
Banque de Tunisie and all specialist activities the products of which are sold by the network: equipment and real estate leasing, factoring, collective investment, employee savings plans and real estate.

– The Insurance business line comprises the Assurances du Crédit Mutuel Group

– Financing and capital markets covers :

a. financing for major corporations and institutional clients, specialized lending, international operations and foreign branches;

b. capital markets activities in general, spanning customer and own account transactions involving interest rate instruments, foreign exchange and equities, including brokerage services.

– Private banking encompasses all companies specializing in this area, both in France and internationally.

– Private equity, conducted for the Group's own account, and financial engineering make up a business unit.

– Logistics and holding company services include all activities that cannot be attributed to another business l ine (holding) and units that provide solely logistical support : intermediate holding companies, as well as specific entities and IT entities holding real estate used for operations.

Each consolidated company is included in only one business l ine, corresponding to its core business, on the basis of the contribution to the BIGM Group's results. The only exceptions are CIC and BFCM because of their presence across several business lines. As such, their income, expenses and statement of financial position balances are subject to an analytical distribution.

Note 2a Breakdown of the statement of financial position items by business line

Assets

December 31, 2012	Retail banking	Insurance
Cash, central banks, post office banks - assets	2,963	
Financial assets at fair value through profit or loss	529	14,179
Hedging derivative instruments - assets	760	
Available-for-sale financial assets	919	50,231
Loans and receivables due from credit institutions	26,601	225
Loans and receivables due from customers	247,329	283
Held-to-maturity financial assets	64	12,813
Equity-accounted investments	1,269	308

Liabilities

December 31, 2012	Retail banking	Insurance
Cash, central banks, post office banks - liabilities		
Financial liabilities at fair value through profit or loss	537	4,920
Hedging derivative instruments - liabilities	313	
Due to credit institutions		
Due to customers	186,985	86
Debt securities	33,143	

Assets

December 31, 2011 (restated)	Retail banking	Insurance
Cash, central banks, post office banks - assets	2,253	0
Financial assets at fair value through profit or loss	130	12,523
Hedging derivative instruments - assets	354	0
Available-for-sale financial assets	815	45,254
Loans and receivables due from credit institutions	23,601	13
Loans and receivables due from customers	240,030	251
Held-to-maturity financial assets	64	10,276
Equity-accounted investments	779	398

Liabilities

December 31, 2011 (restated)	Retail banking	Insurance
Cash, central banks, post office banks - liabilities	0	0
Financial liabilities at fair value through profit or loss	87	1,972
Hedging derivative instruments - liabilities	1,279	0
Due to credit institutions	(0)	(0)
Due to customers	170,563	84
Debt securities	33,280	0

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
5,592	750		1,106	10,411
27,446	142	1,784	249	44,329
158	4		420	1,342
16,956	3,385	19	554	72,064
14,895	2,573	6	9,624	53,924
14,196	7,529		73	269,411
251	2		588	13,718
			480	2,057

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
	343			343
25,886	196			31,539
1,977	399		100	2,789
28,885				28,885
7,216	15,753		6,463	216,503
60,755	21			93,919

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
1,490	985	0	1,579	6,307
23,201	150	1,804	255	38,063
116	4	0	460	935
21,650	3,755	8	473	71,956
11,961	2,946	9	73	38,603
16,441	7,124	0	59	263,906
362	6	0	5,413	16,121
(0)	1	0	881	2,058

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
0	282	0	0	282
28,817	133	0	0	31,009
2,656	461	0	(473)	3,923
36,422	0	(0)	0	36,422
6,045	14,609	0	8,786	200,086
53,911	36	0	(0)	87,227

Note 2b Breakdown of the income statement items by business line

December 31, 2012	Retail banking	Insurance
Net banking income	8,782	1,412
General operating expenses	- 5,713	- 356
Gross operating income	**3,070**	**1,056**
Net additions to / reversals from provisions for loan losses [1]	- 878	
Net gain (loss) on disposal of other assets	- 81	- 41
Net income before tax	**2,111**	**1,015**
Corporate income tax	- 750	- 412
Net income	**1,361**	**603**
Non-controlling interests		
Net income attributable to the Group		

December 31, 2011 (restated)	Retail banking	Insurance
Net banking income	9,231	967
General operating expenses	- 5,469	- 351
Gross operating income	**3,762**	**615**
Net additions to / reversals from provisions for loan losses [1]	- 879	- 44
Net gain (loss) on disposal of other assets	63	44
Net income before tax	**2,946**	**615**
Corporate income tax	- 940	- 194
Net income	**2,006**	**421**
Non-controlling interests		
Net income attributable to the Group		

1. The disposal in the first half 2012 of securities received in exchange for securities issued by the Greek government, brought to the bond swap under the PSI (private sector involvement) plan, generated a negative impact of €30 million on this item, including - €34 million for the logistics and holding company business and + €4 million for the capital markets business.

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Inter-businesses	Total
927	463	100	370	- 593	11,462
- 288	- 334	- 34	- 1,209	593	- 7,341
639	**129**	**66**	**- 839**	**0**	**4,121**
- 85	- 29		- 90		- 1,082
- 1	6		- 44		- 160
554	**107**	**66**	**- 972**	**0**	**2,880**
- 193	- 27	2	323		- 1,057
361	**79**	**67**	**- 649**	**0**	**1,823**
					201
					1,622

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Inter-businesses	Total
885	432	93	15	- 557	11,066
- 256	- 317	- 34	- 1,061	557	- 6,931
630	**115**	**59**	**- 1,047**	**0**	**4,135**
- 149	- 43	0	- 342		- 1,456
	13	0	- 30		89
481	**86**	**59**	**- 1,419**	**0**	**2,768**
- 181	- 18	- 2	409		- 925
300	**68**	**57**	**- 1,010**	**0**	**1,843**
					182
					1,660

Note 2c Breakdown of the statement of financial position items by geographic region

Assets

	December 31, 2012		
	France	Europe, excluding France	Rest of the world[1]
Cash, central banks, post office banks - assets	2,411	2,407	5,593
Financial assets at fair value through profit or loss	42,376	941	1,011
Hedging derivative instruments - assets	1,329	4	9
Available-for-sale financial assets	66,479	4,905	680
Loans and receivables due from credit institutions	49,359	3,191	1,375
Loans and receivables due from customers	243,935	22,290	3,186
Held-to-maturity financial assets	13,716	2	0
Equity-accounted investments	797	710	550

Liabilities

Cash, central banks, post office banks - liabilities	0	343	0
Financial liabilities at fair value through profit or loss	31,131	224	184
Hedging derivative instruments - liabilities	2,342	401	45
Due to credit institutions	14,538	7,657	6,691
Due to customers	190,891	24,910	703
Debt securities	89,473	510	3,937

1. USA, Singapore, Tunisia and Morocco.

Note 2d Breakdown of the income statement items by geographic region

	December 31, 2012		
	France	Europe, excluding France	Rest of the world[1]
Net banking income[2]	9,497	1,792	173
General operating expenses	- 6,003	- 1,266	- 72
Gross operating income	**3,494**	**526**	**101**
Net additions to/reversals from provisions for loan losses	- 676	- 360	- 46
Net gain (loss) on disposal of other assets[3]	- 23	- 107	- 30
Net income before tax	**2,795**	**60**	**25**
Net income	1,813	17	- 8
Net income attributable to the Group	**1,658**	**- 34**	**- 2**

1. USA, Singapore, Tunisia and Morocco.
2. In 2012, 21% of the Net banking income (excluding the logistics and holding business line) came from foreign operations.
3. Including net income of associates and impairment losses on goodwill.

	December 31, 2011 (restated)			
Total	France	Europe, excluding France	Rest of the world [1]	Total
10,411	2,766	2,050	1,490	6,307
44,329	36,149	929	985	38,063
1,342	927	6	2	935
72,064	66,207	4,931	818	71,956
53,924	33,080	3,387	2,136	38,603
269,411	238,611	21,966	3,329	263,906
13,718	16,115	6	0	16,121
2,057	812	690	556	2,058
343	0	282	0	282
31,539	30,425	353	230	31,009
2,789	3,414	466	43	3,923
28,885	19,550	9,757	7,115	36,422
216,503	176,428	23,029	629	200,086
93,919	86,276	464	488	87,227

	December 31, 2011 (restated)			
Total	France	Europe, excluding France	Rest of the world [1]	Total
11,462	8,956	1,861	249	11,065
- 7,341	- 5,621	- 1,241	- 68	- 6,931
4,121	**3,335**	**619**	**181**	**4,135**
- 1,081	- 1,024	- 429	- 3	- 1,456
- 160	17	30	42	89
2,880	**2,328**	**221**	**220**	**2,768**
1,823	1,544	160	141	1,844
1,622	**1,415**	**114**	**131**	**1,660**

Note 3 Scope of consolidation

The CM10-CIC group became CM11-CIC on January 1, 2012, when the Fédération du Crédit Mutuel Anjou joined the Caisse fédérale de Crédit Mutuel. Pursuant to the opinion issued by the Banking Commission, the group's parent company comprises the companies included in the scope of globalization. It is made up of the following entities :
– Fédération du Crédit Mutuel Centre Est Europe (FCMCEE),
– Fédération du Crédit Mutuel du Sud-Est (FCMSE),
– Fédération du Crédit Mutuel d'Ile-de-France (FCMIDF),
– Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB),
– Fédération du Crédit Mutuel Midi-Atlantique (FCMMA),
– Fédération du Crédit Mutuel Loire-Atlantique (FCMLACO),
– Fédération du Crédit Mutuel Centre (FCMC)
– Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV),
– Fédération du Crédit Mutuel Méditerranée (FCMM),
– Fédération du Crédit Mutuel Normandie (FCMN),
– Fédération du Crédit Mutuel Anjou (FCMA)
– Caisse Fédérale de Crédit Mutuel (CF de CM),
– Caisse Régionale du Crédit Mutuel Sud-Est (CRCMSE),
– Caisse Régionale du Crédit Mutuel Ile-de-France (CRCMIDF),
– Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB),
– Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA),
– Caisse Régionale du Crédit Mutuel Loire-Atlantique (CRCMLACO),
– Caisse Régionale du Crédit Mutuel Centre (CRCMC),
– Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV),
– Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM),
– Caisse Régionale du Crédit Mutuel Normandie (CRCMN),
– Caisse Régionale du Crédit Mutuel Anjou (CRMA)
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Centre Est Europe,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Sud-Est,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Ile-de-France,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel de Savoie-Mont Blanc,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Midi-Atlantique,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Loire-Atlantique,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Centre,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Dauphiné-Vivarais,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Méditerranée,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Normandie,
– the Caisses de Crédit Mutuel within Fédération du Crédit Mutuel Anjou.

	December 31, 2012			December 31, 2011		
	Percent control	Percent interest	Method[1]	Percent control	Percent interest	Method[1]
A. Banking network						
Banque du Crédit Mutuel Ile-de-France (BCMI)	100	99	FC	100	99	FC
Banque Européenne du Crédit Mutuel (ex Banque de l'Economie du Commerce et de la Monétique)	100	99	FC	100	99	FC
Caisse Agricole du Crédit Mutuel	100	100	FC	100	100	FC
CIC Est	100	93	FC	100	93	FC
CIC Iberbanco	100	99	FC	100	99	FC
CIC Lyonnaise de Banque (LB)	100	93	FC	100	93	FC
CIC Nord-Ouest	100	93	FC	100	93	FC
CIC Ouest	100	93	FC	100	93	FC
CIC Sud-Ouest	100	93	FC	100	93	FC
Crédit Industriel et Commercial (CIC)	94	93	FC	94	93	FC
Targobank AG & Co. KGaA	100	99	FC	100	99	FC
Targobank Spain	50	50	PC	50	49	PC

	December 31, 2012			December 31, 2011		
	Percent control	Percent interest	Method[1]	Percent control	Percent interest	Method[1]
B. Banking network – subsidiaries						
Banca Popolare di Milano	7	7	EM	7	6	EM
Bancas	50	50	PC			NC
Banco Popular Español (see Note 1b)	4	4	EM	5	5	EM
Banque de Tunisie	20	20	EM	20	20	EM
Banque du groupe Casino	50	50	PC	50	49	PC
Banque Européenne du Crédit Mutuel Monaco	100	99	FC			NC
Banque Marocaine du Commerce Extérieur (BMCE)	26	26	EM	25	24	EM
Caisse Centrale du Crédit Mutuel	53	53	EM	49	49	EM
Cartes et crédits à la consommation (formerly C2C)	100	99	FC	100	42	FC
CM-CIC Asset Management	90	92	FC	89	90	FC
CM-CIC Bail	100	93	FC	100	93	FC
CM-CIC Epargne salariale	100	93	FC	100	93	FC
CM-CIC Factor (formerly Factocic)	95	92	FC	96	91	FC
CM-CIC Gestion	100	93	FC	100	93	FC
CM-CIC Home Loan SFH	100	99	FC	100	99	FC
CM-CIC Laviolette Financement			MER	100	89	FC
CM-CIC Lease	100	96	FC	100	96	FC
CM-CIC Leasing Benelux	100	93	FC	100	93	FC
CM-CIC Leasing GmbH	100	93	FC	100	93	FC
Cofidis Argentina	66	28	FC	66	28	FC
Cofidis Belgium	100	42	FC	100	42	FC
Cofidis France	100	42	FC	100	42	FC
Cofidis Italy	100	42	FC	100	42	FC
Cofidis Czech Republic	100	42	FC	100	42	FC
Cofidis Slovakia	100	42	FC	100	42	FC
Creatis	100	42	FC	100	42	FC
FCT CM-CIC Home Loans	100	99	FC	100	99	FC
Monabanq	100	42	FC	100	42	FC
Saint-Pierre SNC	100	93	FC	100	93	FC
SCI La Tréflière	100	100	FC	100	99	FC
Sofim	100	93	FC	100	93	FC
Sofemo - Société Fédérative Europ. de Monétique et de Financement	100	97	FC	100	97	FC
Targo Dienstleistungs GmbH	100	99	FC	100	99	FC
Targo Finanzberatung GmbH	100	99	FC	100	99	FC
C. Financing and capital markets banks						
Banque Fédérative du Crédit Mutuel	99	99	FC	99	99	FC
Cigogne Management	100	96	FC	100	95	FC
CM-CIC Securities	100	93	FC	100	93	FC
Diversified Debt Securities SICAV - SIF	100	93	FC	100	94	FC
Divhold	100	93	FC	100	94	FC
Lafayette CLO 1 LtD	100	93	FC			NC
Ventadour Investissement	100	99	FC	100	99	FC

	December 31, 2012			December 31, 2011		
	Percent control	Percent interest	Method[1]	Percent control	Percent interest	Method[1]
D. Private banking						
Agefor SA Genève	70	65	FC	70	65	FC
Alternative Gestion SA Genève	45	58	EM	45	58	EM
Banque de Luxembourg	100	93	FC	100	94	FC
Banque Pasche	100	93	FC	100	93	FC
Banque Pasche (Liechtenstein) AG	53	49	FC	53	49	FC
Banque Pasche Monaco SAM	100	93	FC	100	93	FC
Banque Transatlantique	100	93	FC	100	93	FC
Banque Transatlantique Belgium	100	92	FC	100	92	FC
Banque Transatlantique Luxembourg	100	93	FC	90	90	FC
Banque Transatlantique Singapore Private Ltd	100	93	FC	100	93	FC
Calypso Management Company	70	65	FC	70	65	FC
CIC Switzerland	100	93	FC	100	93	FC
Dubly-Douilhet	63	58	FC	63	58	FC
LRM Advisory SA	70	65	FC	70	65	FC
Pasche Bank & Trust Ltd Nassau	100	93	FC	100	93	FC
Pasche Finance SA Fribourg	100	93	FC	100	93	FC
Pasche Fund Management Ltd			NC	100	93	FC
Pasche International Holding Ltd			MER	100	93	FC
Pasche SA Montevideo			NC	100	93	FC
Serficom Brasil Gestao de Recursos Ltda	50	47	FC	50	47	FC
Serficom Family Office Inc	100	93	FC	100	93	FC
Serficom Family Office Brasil Gestao de Recursos Ltda	52	49	FC	52	48	FC
Serficom Family Office SA	100	93	FC	100	93	FC
Serficom Investment Consulting (Shanghaï)			NC	100	93	FC
Serficom Maroc SARL			NC	100	93	FC
Transatlantique Gestion	100	93	FC	100	93	FC
Valeroso Management Ltd	100	93	FC	100	93	FC
E. Private equity						
CM-CIC Capital Finance	100	93	FC	100	93	FC
CM-CIC Capital Innovation	100	93	FC	100	93	FC
CM-CIC Conseil	100	93	FC	100	93	FC
CM-CIC Investissement	100	93	FC	100	93	FC
Sudinnova	66	62	FC	66	61	FC
F. Logistics and holding company						
Actimut	100	100	FC	100	100	FC
Adepi	100	93	FC	100	93	FC
Carmen Holding Investissement	84	83	FC	84	82	FC
CIC Migrations	100	93	FC	100	93	FC
CIC Participations	100	93	FC	100	93	FC
Cicor	100	93	FC	100	93	FC
Cicoval	100	93	FC	100	93	FC
CM Akquisitions	100	99	FC	100	99	FC
CM-CIC Services	100	100	FC	100	100	FC

	December 31, 2012			December 31, 2011		
	Percent control	Percent interest	Method[1]	Percent control	Percent interest	Method[1]
CMCP - Crédit Mutuel Cartes de paiement	59	62	FC	59	61	FC
Cofidis Participations	51	42	FC	51	42	FC
Est Bourgogne Rhône-Alpes (EBRA)	100	99	FC	100	99	FC
Efsa	100	93	FC	100	93	FC
Euro-Information	80	79	FC	79	78	FC
Euro-Information Développement	100	79	FC	100	78	FC
EIP	100	100	FC	100	100	FC
EI Telecom (formerly NRJ Mobile)	95	75	FC	95	74	FC
Euro Protection Services			MER	100	83	FC
Euro Protection Surveillance	100	84	FC	100	83	FC
France Est	100	97	FC	100	99	FC
Gesteurop	100	93	FC	100	93	FC
Gestunion 2	100	93	FC	100	93	FC
Gestunion 3	100	93	FC	100	93	FC
Gestunion 4	100	93	FC	100	93	FC
Groupe Républicain Lorrain - GRLC	100	99	FC	100	99	FC
Impex Finance	100	93	FC	100	93	FC
L'Est Républicain	92	91	FC	92	90	FC
Marsovalor	100	93	FC	100	93	FC
Pargestion 2	100	93	FC	100	93	FC
Pargestion 4	100	93	FC	100	93	FC
Placinvest	100	93	FC	100	93	FC
Société Civile de Gestion des Parts dans "*L'Alsace*" - SCGPA	100	100	FC	100	99	FC
Société Française d'Edition de Journaux et d'Imprimés Commerciaux "*L'Alsace*" - SFEJIC	99	98	FC	99	97	FC
Sofiholding 2	100	93	FC	100	93	FC
Sofiholding 3	100	93	FC	100	93	FC
Sofiholding 4	100	93	FC	100	93	FC
Sofinaction	100	93	FC	100	93	FC
Targo Akademie	100	99	FC	100	99	FC
Targo Deutschland GmbH	100	99	FC	100	99	FC
Targo IT Consulting GmbH	100	99	FC	100	99	FC
Targo Management AG	100	99	FC	100	99	FC
Targo Realty Services GmbH	100	99	FC	100	99	FC
Ufigestion 2	100	93	FC	100	93	FC
Ugépar Service	100	93	FC	100	93	FC
Valimar 2	100	93	FC	100	93	FC
Valimar 4	100	93	FC	100	93	FC
VTP 1	100	93	FC	100	93	FC
VTP 5	100	93	FC	100	93	FC
G. Insurance companies						
ACM GIE	100	86	FC	100	84	FC
ACM IARD	96	83	FC	96	81	FC
ACM Nord IARD	49	42	EM	49	41	EM
ACM Ré	100	86	FC			NC

	December 31, 2012			December 31, 2011		
	Percent control	Percent interest	Method [1]	Percent control	Percent interest	Method [1]
ACM Services	100	86	FC	100	84	FC
ACM Vie	100	86	FC	100	84	FC
ACM Vie, Société d'Assurance Mutuelle	100	100	FC	100	100	FC
Agrupació AMCI de Seguros y Reaseguros	60	60	FC			NC
Agrupació Bankpyme pensiones	60	60	FC			NC
Agrupació Serveis Administratius	60	60	FC			NC
AMSYR	60	60	FC			NC
AMDIF	60	60	FC			NC
Assistencia Avançada Barcelona	60	60	FC			NC
Astree	30	26	EM	30	25	EM
Atlancourtage			MER	100	84	FC
Groupe des Assurances du Crédit Mutuel (GACM)	88	86	FC	86	84	FC
ICM Life	100	86	FC	100	84	FC
Immobilière ACM	100	86	FC	100	84	FC
MTRL	100	100	FC	100	100	FC
Partners	100	86	FC	100	84	FC
Procourtage	100	86	FC	100	84	FC
RMA Watanya	22	19	EM	22	18	EM
Serenis Assurances	100	86	FC	100	84	FC
Serenis Vie	100	86	FC	100	84	FC
Royal Automobile Club de Catalogne	49	42	EM	49	41	EM
Voy Mediación	90	76	FC	90	74	FC
H. Other companies						
Affiches d'Alsace Lorraine	100	88	FC	100	88	FC
Agence générale d'informations régionales	100	97	FC	100	95	FC
Alsace Média Participation	100	88	FC	100	88	FC
Alsatic			MER	80	70	FC
Alsacienne de portage des DNA	100	88	FC	100	88	FC
A. Télé			NC	69	48	FC
Cime & mag			MER	100	97	FC
CM-CIC Immobilier	100	99	FC	99	99	FC
Dernières Nouvelles d'Alsace	99	88	FC	99	88	FC
Dernières Nouvelles de Colmar	100	88	FC	100	88	FC
Distripub	100	98	FC	100	97	FC
Documents AP	100	99	FC	100	99	FC
Est Bourgogne Médias	100	99	FC	100	99	FC
Est Imprimerie	100	99	FC	100	95	FC
Est Info TV (ex Société alsacienne de presse et d'audiovisuelle)			NC	60	53	FC
Europe Régie			MER	66	64	FC
Foncière Massena	100	86	FC	100	83	FC
France Régie	100	88	FC	100	88	FC
GEIE Synergie	100	42	FC			NC
Groupe Progrès	100	99	FC	100	99	FC

	31/12/2012			31/12/2011		
	% Contrôle	% Intérêt	Méthode [1]	% Contrôle	% Intérêt	Méthode [1]
Groupe Républicain Lorrain Imprimeries - GRLI	100	99	FC	100	99	FC
Immocity	100	99	FC	100	99	FC
Imprimerie Michel	100	99	FC	100	99	FC
Interprint	100	99	FC	100	99	FC
Jean Bozzi Communication	100	99	FC	100	99	FC
Journal de la Haute Marne	50	45	EM	50	45	EM
La Liberté de l'Est	97	88	FC	96	91	FC
La Tribune	100	99	FC	100	99	FC
L'Alsace	100	98	FC	100	97	FC
L'Alsace Magazines Editions - L'Ame			MER	100	97	FC
Le Dauphiné Libéré	100	99	FC	100	99	FC
Le Républicain Lorrain	100	99	FC	100	99	FC
Les Editions de l'Echiquier	100	98	FC	100	97	FC
Lumedia	50	50	PC	50	49	PC
Massena Property	100	86	FC	100	84	FC
Massimob	100	83	FC	100	81	FC
Mediaportage	100	98	FC	100	97	FC
Presse Diffusion	100	99	FC	100	99	FC
Promopresse	100	99	FC	100	99	FC
Publicité Moderne			MER	100	90	FC
Publiprint Dauphiné	100	99	FC	100	99	FC
Publiprint Province n° 1	100	99	FC	100	99	FC
Républicain Lorrain - TV news	100	99	FC	100	99	FC
Républicain Lorrain Communication	100	99	FC	100	99	FC
Républicain Lorrain Voyages			MER	100	99	FC
Roto Offset Imprimerie	100	98	FC	100	97	FC
SCI ACM (ex SCI ADS)	100	86	FC	100	84	FC
SCI Alsace	90	88	FC	90	88	FC
SCI Ecriture			MER	100	97	FC
SCI Gutenberg	100	99	FC	100	99	FC
SCI Le Progrès Confluence	100	99	FC	100	99	FC
SCI Roseau d'or			MER	100	97	FC
SDV Plurimédia	20	18	EM	20	18	EM
Société d'édition de l'hebdomadaire du Louhannais et du Jura	100	99	FC	100	99	FC
Société d'édition des hebdomadaires et périodiques locaux			MER	100	98	FC
Sofiliest			MER	100	95	FC
Société de Presse Investissement (SPI)	100	90	FC	100	89	FC
Top Est 88			MER	100	46	FC

1. Method :
FU = Full Consolidation
PC = Proportionate Consolidation
EM = Equity Method
NC = Not Consolidated
MER = Merged

Information on sites and activities in non-cooperative countries and territories included in the list established by the decree of April 14, 2012 : the group has no sites meeting the criteria stipulated by the decree of October 6, 2009.

Note 4 Cash, central banks

Note 4a Loans and receivables due from credit institutions

	Dec. 31, 2012	Dec. 31, 2011
Cash and amounts due from central banks		
Due from central banks	9,468	5,431
including reserve requirements	1,940	1,898
Cash	943	875
Total	**10,411**	**6,307**
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts [1]	24,462	19,186
Other current accounts	2,206	1,820
Loans	19,696	7,105
Other receivables	2,691	4,451
Securities not listed in an active market	2,344	3,672
Repurchase agreements	1,403	1,141
Individually impaired receivables	925	1,099
Accrued interest	477	439
Impairment provisions	- 280	- 310
Total	**53,924**	**38,603**

1. Mainly outstanding repayments - CDC (Caisse des Dépôts et Consignations) relating to LEP, LDD and Livret bleu passbook savings accounts).

Note 4b Amounts due to credit institutions

	Dec. 31, 2012	Dec. 31, 2011
Due to central banks	**343**	**282**
Due to credit institutions		
Other current accounts	1,302	1,477
Borrowings	25,076	27,597
Other	1,694	4,692
Repurchase agreements	656	2,573
Accrued interest	157	83
Total	**29,228**	**36,704**

Note 5 Financial assets and liabilities at fair value through profit or loss

Note 5a Financial assets at fair value through profit or loss

	December 31, 2012			December 31, 2011		
	Transaction	Fair value option	Total	Transaction	Fair value option	Total
Securities	15,148	16,325	31,473	13,860	14,745	28,605
– Government securities	1,644	1	1,645	1,409	24	1,433
– Bonds and other fixed-income securities	13,186	2,986	16,173	11,977	3,172	15,149
Listed	*13,186*	*2,937*	*16,123*	*11,977*	*3,083*	*15,060*
Unlisted	*0*	*50*	*50*	*0*	*88*	*88*
– Equities and other variable-income securities	317	13,338	13,656	473	11,550	12,023
Listed	*317*	*11,554*	*11,872*	*473*	*9,822*	*10,295*
Unlisted	*0*	*1,784*	*1,784*	*0*	*1,728*	*1,728*
Trading derivative instruments	2,544	0	2,544	2,359	0	2,359
Other financial assets		10,311	10,311		7,100	7,100
including resale agreements		*10,311*	*10,311*		*7,096*	*7,096*
Total	**17,692**	**26,637**	**44,329**	**16,219**	**21,845**	**38,063**

Note 5b Financial liabilities at fair value through profit or loss

	Dec. 31, 2012	Dec. 31, 2011
Financial liabilities held for trading	7,627	6,642
Financial liabilities at fair value by option through profit or loss	23,912	24,367
Total	**31,539**	**31,009**

Financial liabilities held for trading

	Dec. 31, 2012	Dec. 31, 2011
Short selling of securities	1,507	1,087
– Government securities	*0*	*0*
– Bonds and other fixed-income securities	*1,048*	*641*
– Equities and other variable-income securities	*458*	*447*
Trading derivative instruments	5,611	4,752
Other financial liabilities held for trading	509	802
Total	**7,627**	**6,642**

Financial liabilities designated under the fair value option through profit or loss

	December 31, 2012			December 31, 2011		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	24	24	0	60	60	0
Interbank liabilities	23,283	23,281	2	23,691	23,679	12
Due to customers	604	604	0	615	615	0
Total	**23,912**	**23,909**	**3**	**24,367**	**24,354**	**13**

Note 5c Fair value hierarchy

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	70,652	514	896	72,062
– Government and similar securities – AFS	*11,912*	*32*	*0*	*11,944*
– Bonds and other fixed-income securities – AFS	*50,787*	*425*	*465*	*51,677*
– Equities and other variable-income securities – AFS	*6,253*	*0*	*159*	*6,412*
– Investments in non-consolidated companies and other LT investments – AFS	*930*	*10*	*556*	*1,496*
– Investments in associates – AFS	*487*	*47*	*0*	*534*
Held for trading / Fair value option (FVO)	25,846	16,278	2,204	44,328
– Government and similar securities – Held for trading	*1,557*	*86*	*1*	*1,644*
– Government and similar securities – FVO	*1*	*0*	*0*	*1*
– Bonds and other fixed-income securities – Held for trading	*10,124*	*2,670*	*392*	*13,186*
– Bonds and other fixed-income securities – FVO	*2,590*	*392*	*4*	*2,986*
– Equities and other variable-income securities – Held for trading	*307*	*0*	*10*	*317*
– Equities and other variable-income securities – FVO	*11,228*	*417*	*1,693*	*13,338*
– Loans and receivables due from credit institutions – FVO	*0*	*5,802*	*0*	*5,802*
– Loans and receivables due from customers – FVO	*0*	*4,510*	*0*	*4,510*
– Derivative instruments and other financial assets – Held for trading	*38*	*2,401*	*105*	*2,544*
Hedging derivative instruments	0	1,317	25	1,342
Total	**96,214**	**18,109**	**3,410**	**117,733**

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2,082	29,351	105	31,538
– Due to credit institutions – FVO	*0*	*23,283*	*0*	*23,283*
– Due to customers – FVO	*0*	*604*	*0*	*604*
– Debt securities – FVO	*0*	*24*	*0*	*24*
– Subordinated debt – FVO	*0*	*0*	*0*	*0*
– Derivative instruments and other financial liabilities – Held for trading	*2,082*	*5,440*	*105*	*7,627*
Hedging derivative instruments	0	2,752	37	2,789
Total	**2,082**	**32,103**	**142**	**34,327**

There are three levels of fair value of financial instruments, in accordance with what has been defined by IFRS7 :

– Level 1 instruments : valued using stock market prices. In the case of capital markets activities, these include debt securities with prices quoted by at least four contributors and derivative instruments quoted on a regulated market.

– Level 2 instruments : measured using valuation techniques based primarily on observable inputs. In the case of capital markets activities, these comprise debt securities with prices quoted by two to three contributors and derivative instruments traded over the counter, which are not included in Level 3.

– Level 3 instruments : measured using valuation techniques based primarily on unobservable inputs. These involve unquoted equities, and, in the case of capital markets activities, debt securities quoted by a single contributor and derivative instruments valued using primarily unobservable parameters.

Level 3 details

	Opening bal.	Purchases	Sales	Gains and losses recognized in profit	Other movements	Closing bal.
Equities and other variable income securities – FVO	1,733	330	- 374	60	- 56	1,693

Note 6 Hedging

Note 6a Hedging derivative instruments

	December 31, 2012		December 31, 2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Cash flow hedges	4	46	5	44
Fair value hedges (change in value recognized through profit or loss)	1,338	2,743	929	3,879
Total	**1,342**	**2,789**	**935**	**3,923**

Fair value hedging is the hedging of exposure against a change in the fair value of a financial instrument attributable to a specific risk. The portion attributable to the hedged risk of changes in the fair value of the hedge and of the hedged items is recognized through profit or loss.

Note 6b Remeasurement adjustment on interest-rate risk hedged investments

	Fair value Dec. 31, 2012	Fair value Dec. 31, 2011	Change in fair value
Fair value of interest-rate by investment category			
financial assets	852	738	114
financial liabilities	- 3,451	- 2,813	- 638

Note 6c Analysis of derivative instruments

	December 31, 2012			December 31, 2011		
	Notional	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Trading derivative instruments						
Interest-rate derivative instruments						
– *Swaps*	*285,289*	*1,740*	*4,529*	*360,202*	*1,362*	*3,952*
– *Other forward contracts*	*14,796*	*4*	*2*	*8,394*	*4*	*1*
– *Options and conditional transactions*	*23,088*	*92*	*266*	*32,039*	*117*	*121*
Foreign exchange derivative instruments						
– *Swaps*	*81,679*	*20*	*71*	*84,374*	*41*	*77*
– *Other forward contracts*	*10,881*	*401*	*391*	*17,422*	*172*	*116*
– *Options and conditional transactions*	*16,193*	*53*	*52*	*17,493*	*195*	*195*
Derivative instruments other than interest-rate and foreign exchange						
– *Swaps*	*13,553*	*75*	*138*	*16,567*	*374*	*242*
– *Other forward contracts*	*1,744*	*0*	*0*	*1,951*	*0*	*0*
– *Options and conditional transactions*	*4,550*	*158*	*162*	*788*	*95*	*48*
Sub-total	**451,773**	**2,544**	**5,611**	**539,229**	**2,359**	**4,752**
Hedging derivative instruments						
Fair value hedges						
– *Swaps*	*65,885*	*1,338*	*2,743*	*74,351*	*929*	*3,879*
– *Other forward contracts*	*0*	*0*	*0*	*0*	*0*	*0*
– *Options and conditional transactions*	*4*	*0*	*0*	*5*	*0*	*0*
Cash flow hedges						
– *Swaps*	*165*	*4*	*41*	*157*	*4*	*39*
– *Other forward contracts*	*0*	*0*	*5*	*0*	*0*	*4*
– *Options and conditional transactions*	*0*	*0*	*0*	*0*	*1*	*0*
Sub-total	**66,055**	**1,342**	**2,789**	**74,513**	**935**	**3,923**
Total	**517,828**	**3,886**	**8,400**	**613,743**	**3,294**	**8,675**

Note 7 Available-for-sale financial assets

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Government securities	11,809	15,148
Bonds and other fixed-income securities	51,576	48,959
– Listed	*50,963*	*48,237*
– Unlisted	*613*	*723*
Equities and other variable-income securities	6,450	5,531
– Listed	*6,176*	*5,349*
– Unlisted	*274*	*182*
Long-term investments	1,984	1,996
– Investments in non-consolidated companies	*1,332*	*1,281*
– Other long-term investments	*160*	*277*
– Investments in associates	*488*	*435*
– Securities lent	*4*	*3*
– Impaired SCI overdrafts	*0*	*0*
Accrued interest	246	322
Total	**72,064**	**71,956**
Including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity	*- 24*	*- 1,314*
Including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity	*636*	*385*
Including impairment of bonds and other fixed-income securities	*- 94*	*- 713*
Including impairment of equities and other variable-income securities and long-term investments	*- 2,297*	*- 2,286*

Note 7a List of major investments in non-consolidated companies

		Percent interest	Equity	Total assets	NBI or revenue	Net income
Crédit logement	Unlisted	< 10%	1,463	9,881	207	89
CRH (Caisse de Refinancement de l'Habitat)	Unlisted	< 40%	312	49,574	4	1
Foncière des Régions	Listed	< 10%	6,040	14,642	752	469
Veolia Environnement	Listed	< 5%	9,835	50,406	29,647	- 317

The figures above (excluding the percentage of interest) relate to 2011.

Note 7b Exposure to sovereign risk

The securities issued by the Greek government were contributed to the exchange offer under the Private Sector Involvement (PSI) plan. The securities received in exchange were sold on the market. At December 31, 2012, exposure to the Greek state had been eliminated. This transaction entailed a loss of €30 million, which was recognized in net additions to/reversals from provisions for loan losses.

Ireland and Portugal also benefited from aid packages from the European Union and the IMF when the deterioration in their public finances no longer allowed them to raise the funds they needed because the markets lacked confidence. At this time, the projected recovery of the debt of these two countries does not appear to be compromised and therefore does not warrant recognition of impairment.

Changes between December 31, 2011 and December 31, 2012 are due to repayments of maturing securities, changes in value during the year and, to a lesser extent, to some purchases and sales, bearing in mind that purchases and sales may be more frequent for trading securities.

Countries benefiting from aid packages

Net exposure [1]	December 31, 2012		December 31, 2011	
	Portugal	Ireland	Portugal	Ireland
Financial assets at fair value through profit or loss			50	
Available-for-sale financial assets	63	101	104	99
Held-to-maturity financial assets				
Total	**63**	**101**	**154**	**99**

1. Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.

Residual contractual maturity	Portugal	Ireland	Portugal	Ireland
< 1 year			39	
1 to 3 years	13		20	
3 to 5 years			29	
5 to 10 years	50	94	59	94
> 10 years		7	7	5
Total	**63**	**101**	**154**	**99**

Other sovereign risk exposures in the banking portfolio

Net exposure	December 31, 2012		December 31, 2011	
	Spain	Italy	Spain	Italy
Financial assets at fair value through profit or loss	204	39	131	99
Available-for-sale financial assets	54	3,472	130	4,396
Held-to-maturity financial assets				
Total	**258**	**3,511**	**261**	**4,495**

Capital markets activities are shown at market value and other businesses at par value. Outstandings are shown net of credit default swaps.

Residual contractual maturity	Spain	Italy	Spain	Italy
< 1 year	81	30	66	1,266
1 to 3 years	118	2,645	28	2,076
3 to 5 years	29	206	69	375
5 to 10 years	13	382	17	545
> 10 years	16	248	81	233
Total	**258**	**3,511**	**261**	**4,495**

Note 8 Customers

Note 8a Loans and receivables due from customers

	Dec. 31, 2012	Dec. 31, 2011
Performing loans	256,784	251,674
– Commercial loans	4,774	5,158
– Other customer loans	251,192	245,553
Home loans	*140,748*	*137,216*
Other loans and receivables, including resale agreements	*110,444*	*108,337*
– Accrued interest	572	592
– Securities not listed in an active market	245	371
Insurance and reinsurance receivables	180	167
Individually impaired receivables	11,061	11,154
Gross receivables	**268,025**	**262,995**
Individual impairment	- 6,685	- 6,896
Collective impairment	- 577	- 526
Sub-total 1	**260,763**	**255,573**
Finance leases (net investment)	8,778	8,475
– Furniture and movable equipment	5,293	5,315
– Real estate	3,112	2,979
– Individually impaired receivables	373	181
Provisions for impairment	- 130	- 142
Sub-total 2	**8,648**	**8,333**
Total	**269,411**	**263,906**
of which non-voting loan stock	*12*	*10*
of which subordinated notes	*19*	*22*

Finance leases with customers

	Dec. 31, 2011	Acquisition	Sale	Other	Dec. 31, 2012
Gross carrying amount	8,475	1,715	- 1,385	- 27	8,778
Impairment of irrecoverable rent	- 142	- 26	38	0	- 130
Net carrying amount	**8,333**	**1,689**	**- 1,347**	**- 27**	**8,648**

Analysis of future minimum lease payments receivable under finance leases, by residual term

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Future minimum lease payments receivable	2,698	4,704	1,831	9,233
Present value of future minimum lease payments receivable	2,529	4,501	1,820	8,850
Unearned finance income	**169**	**203**	**11**	**383**

Note 8b Amounts due to customers

	Dec. 31, 2012	Dec. 31, 2011
Regulated savings accounts	91,836	81,566
– demand	*65,611*	*56,408*
– term	*26,225*	*25,159*
Accrued interest on savings accounts	43	44
Sub-total	**91,879**	**81,610**
Demand deposits	63,430	59,368
Term accounts and loans	60,147	58,211
Repurchase agreements	202	151
Accrued interest	760	662
Insurance and reinsurance payables	86	84
Sub-total	**124,625**	**118,476**
Total	**216,503**	**200,086**

Note 9 Held-to-maturity financial assets

	Dec. 31, 2012	Dec. 31, 2011
Securities	13,730	16,195
– Government securities	0	97
– Bonds and other fixed-income securities	13,730	16,098
Listed	*13,685*	*11,178*
Unlisted	*45*	*4,920*
Accrued interest	1	13
Gross total	**13,732**	**16,208**
of which impaired assets	*25*	*121*
Provisions for impairment	- 14	- 87
Net total	**13,718**	**16,121**

Note 10 Movements in provisions for impairment

	Dec. 31, 2011	Additions	Reversals	Other	Dec. 31, 2012
Loans and receivables due from credit institutions	- 310	- 15	40	5	- 280
Loans and receivables due from customers	- 7,564	- 1,522	1,725	- 30	- 7,392
Available-for-sale securities	- 2,999	- 120	727	1	- 2,391
Held-to-maturity securities	- 87	0	74	0	- 14
Total	**- 10,960**	**- 1,658**	**2,565**	**- 24**	**- 10,077**

At December 31, 2012, provisions for loans and receivables due from customers amounted to €7,392 million (compared to €7,564 million at the end of 2011), of which collective provisions totaled €577 million. Individual provisions essentially relate to overdrawn current accounts, for €887 million (compared to €929 million at the end of 2011), and to provisions for commercialand other loans (including home loans) for €5,797 million (compared to €5,967 million at the end of 2011).

Note 11 Reclassifications of financial instruments

In application of new accounting regulations and in the extraordinary circumstances of a completely disrupted market, on July 1, 2008 the Group reclassified €18.8 billion of investments from the trading securities portfolio into AFS (€16.1 billion) investments and Loans and receivables (€2.7 billion), as well as €6.5 billion of AFS investments into Loans and receivables (€5.9 billion) and HTM investments (€0.6 billion). No other reclassification has occurred since that date.

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans & receivables portfolio	2,929	2,910	4,539	4,235
AFS portfolio	5,489	5,492	7,413	7,414

	December 31, 2012	December 31, 2011
Gains (losses) which would have been recognized at fair value through profit or loss if the assets had not been reclassified	635	- 184
Unrealized gains (losses) which would have been recognized directly in shareholders' equity if the assets had not been reclassified	- 498	47
Gains (losses) on reclassified assets, recognized in income (NBI and Net additions to/reversals of provisions for loan losses)	92	- 8

Note 12 Exposures affected by the financial crisis

The exposures affected by the financial crisis are presented below.

The portfolios are carried at market value established on the basis of external inputs obtained from regulated markets, major brokers or, where no price was available, on the basis of comparable listed securities.

Summary	December 31, 2012	December 31, 2011
	Carrying amount	Carrying amount
RMBS	2,391	3,985
CMBS	333	366
CLO	943	1,543
Other ABS	731	897
CLO covered by CDS	833	721
Other ABS covered by CDS	25	28
Liquidity facilities	351	351
Total	**5,606**	**7,890**

Unless otherwise stated, securities are not covered by CDS.

Exposures at December 31, 2012	RMBS	CMBS	CLO	Other ABS	Total
Trading	921	269	15	505	1,710
AFS	478	64	29	75	646
Loans	992		899	151	2,042
Total	**2,391**	**333**	**943**	**731**	**4,398**
France	1	2		519	522
Spain	105			68	173
United Kingdom	244			47	291
Europe excluding France, Spain and United Kingdom	706	64	664	72	1,506
USA	1,232	267	279	25	1,803
Rest of the world	103				103
Total	**2,391**	**333**	**943**	**731**	**4,398**
US Agencies	447				447
AAA	546	259	383	462	1,650
AA	239		488	53	780

Exposures at December 31, 2012	RMBS	CMBS	CLO	Other ABS	Total
A	188	10	47	150	395
BBB	66	64	12	19	161
BB	101		14		114
B or below	804			47	851
Not rated					0
Total	**2,391**	**333**	**943**	**731**	**4,398**
Originating 2005 or before	400	98		28	526
Originating 2006	508	60	180	45	793
Originating 2007	746	175	418	60	1,399
Originating since 2008	736	0	346	598	1,680
Total	**2,391**	**333**	**943**	**731**	**4,398**

Exposures at December 31, 2011	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,173	353	26	366	1,918
AFS	966	13	192	227	1,399
Loans	1,845	0	1,325	304	3,474
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
France	14	2	0	354	369
Spain	305	0	20	206	531
United Kingdom	413	30	0	52	496
Europe excluding France, Spain and United Kingdom	1,306	0	694	144	2,144
USA	1,795	320	828	121	3,064
Rest of the world	151	13	0	21	186
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
US Agencies	521	0	0	0	521
AAA	1,560	303	716	421	3,001
AA	187	30	737	107	1,062
A	242	23	51	98	413
BBB	145	2	26	121	294
BB	119	0	12	20	151
B or below	1,211	8	0	131	1,350
Not rated	0	0	0	0	0
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
Originating 2005 or before	943	28	39	207	1,217
Originating 2006	1,153	119	595	112	1,979
Originating 2007	1,125	174	550	183	2,032
Originating since 2008	764	45	358	396	1,563
Total	**3,985**	**366**	**1,543**	**897**	**6,791**

Note 13 Corporate income tax

Note 13a Current income tax

	Dec. 31, 2012	Dec. 31, 2011
Asset (by income)	1,405	1,607
Liability (by income)	674	561

Note 13b Deferred income tax

	Dec. 31, 2012	Dec. 31, 2011
Asset (by income)	913	950
Asset (by shareholders' equity)	249	805
Liability (by income)	518	645
Liability (by shareholders' equity)	367	197

Breakdown of deferred income tax by major categories

	December 31, 2012		December 31, 2011	
	Asset	Liability	Asset	Liability
Temporary differences in respect of :				
– *Deferred gains (losses) on available-for-sale securities*	*249*	*367*	*805*	*197*
– *Impairment provisions*	*526*		*572*	
– *Unrealized finance lease reserve*		*144*		*136*
– *Earnings of fiscally transparent (pass-through) companies*		*1*		*4*
– *Remeasurement of financial instruments*	*845*	*100*	*909*	*161*
– *Accrued expenses and accrued income*	*140*	*752*	*149*	*952*
– *Tax losses* [1 2]	*63*		*123*	
– *Insurance activities*	*28*	*174*	*31*	*192*
– *Other timing differences*	*77*	*115*	*111*	*144*
Netting	- 767	- 767	- 944	- 944
Total deferred tax assets and liabilities	**1,162**	**885**	**1,755**	**842**

Deferred taxes are calculated using the liability method. For the French companies, the deferred tax rate is 36.10% (i.e., the standard tax rate).
1. Of which USA tax losses: €50 million in 2012 and €122 million in 2011.
2. Tax losses result in deferred tax assets in as much as their likelihood of realization is high.

Note 14 Accruals, other assets and other liabilities

Note 14a Accruals and other assets

	Dec. 31, 2012	Dec. 31, 2011
Accruals – assets		
Collection accounts	318	604
Currency adjustment accounts	84	334
Accrued income	464	513
Other accruals	2,774	1,911
Sub-total	**3,639**	**3,362**
Other assets		
Securities settlement accounts	81	111
Guarantee deposits paid	8,070	7,646
Miscellaneous receivables	6,884	5,760
Inventories	31	42
Other	66	13
Sub-total	**15,132**	**13,571**
Other insurance assets		
Technical provisions – reinsurers' share	269	255
Other	83	84
Sub-total	**352**	**339**
Total	**19,124**	**17,272**

Note 14b Accruals and other liabilities

	Dec. 31, 2012	Dec. 31, 2011
Accrual accounts – liabilities		
Accounts unavailable due to collection procedures	154	453
Currency adjustment accounts	6	349
Accrued expenses	1,034	874
Deferred income	1,568	1,623
Other accruals	8,602	2,514
Sub-total	**11,364**	**5,814**
Other liabilities		
Securities settlement accounts	124	84
Outstanding amounts payable on securities	125	53
Other payables	4,503	3,929
Sub-total	**4,752**	**4,066**
Other insurance liabilities		
Deposits and guarantees received	168	150
Total	**16,284**	**10,030**

Note 15 Equity-accounted investments

Equity value and share of net income (loss)

		Dec. 31, 2012			Dec. 31, 2011		
		Percent interest	Investment value	Share of net income	Percent interest	Investment value	Share of net income
ACM Nord	Unlisted	49.00%	22	6	49.00%	19	3
Astree Assurance	Listed	30.00%	17	1	30.00%	18	- 1
Banca Popolare di Milano [1]	Listed	6.99%	147	- 58	6.99%	196	- 31
Banco Popular Español (see Note 1b)	Listed	4.37%	410	- 105	5.03%	387	27
Banque de Tunisie	Listed	20.00%	52	6	20.00%	52	6
Banque Marocaine du Commerce Extérieur	Listed	26.21%	923	16	24.64%	831	21
CCCM	Unlisted	52.54%	214	6	49.46%	192	4
RMA Watanya [2]	Unlisted	22.02%	209	- 25	22.02%	298	16
Royal Automobile Club de Catalogne	Unlisted	48.99%	59	4	48.99%	62	- 13
Other	Unlisted		3	1		3	0
Total			**2,057**	**- 149**		**2,058**	**33**

1. A t December 31, 2012, the share price of Banca Popolare di Milano on the Milan Stock Exchange was 45 euro cents. The market value of this investment is €96 million.
2. Goodwill relating to RMA of €87 million was written down in the amount of €27 million during 2012.

Financial data published by the major equity-accounted entities

	Total assets	NBI or revenues	Net income
ACM Nord	149	134	8
Astree Assurance [1 2]	321	101	13
Banca Popolare di Milano [1]	51,931	1,352	- 621
Banco Popular Español	157,618	3,778	- 2,461
Banque de Tunisie [1 2]	3,388	153	58
Banque Marocaine du Commerce Extérieur [1 3]	207,988	8,140	1,508
CCCM	5,722	26	13
RMA Watanya [1 3]	239,588	3,973	- 297
Royal Automobile Club de Catalogne	177	123	8

1. 2011 amounts
2. in millions of Tunisian Dinars
3. in millions of Moroccan Dirhams

Banca Popolare di Milano S.C.a.r.l. (BPM)

The investment in BPM is accounted for using the equity method, as CIC, which retains its position as a strategic partner to BPM's Board of Directors and is also a member of its Executive Committee and the Finance Committee, is deemed to exercise significant influence over the entity. The investment's carrying amount must therefore reflect the Group's share of BPM's net assets (I FRS), up to the value in use. This value was determined using the dividend discount method (DDM), which involves discounting over a long period of time future distributable profits, obtained from estimated earnings less the regulatory reserve needed for compliance with solvency ratio requirements.

The estimated earnings used were taken from the business plan of July 24, 2012, as the most recent information available. The discount rate was determined using the long-term, risk-free interest rate plus a risk premium taking into account the volatility of the BPM shares. The resulting value in use was 62 euro cents per BPM share. An analysis of sensitivity to key parameters used by the model, in particular the discount rate, shows that a 100 basis point increase in the discount rate would reduce the value in use by 12%.

Based on this valuation, the carrying amount of the equity-accounted investment reported in the financial statements was €147 million (net of any impairment losses). As a reminder, the BPM closing share price on the Milan Stock Exchange was 45 euro cents at December 31, 2012, and the opening price at February 26, 2013 was 51 euro cents. The stock market value of the Group's interest in BPM was €102 million at December 31, 2012, and €115 million at February 26, 2013. As at September 30, 2012, BPM's total assets reported in the consolidated financial statements (IFRS) stood at €52,439 million and shareholders' equity amounted to €4,270 million, including a net loss for the first nine months of 2012 of €106 million.

During the year, the Group recognized in income, in addition to its share of BPM's net loss for the period of €8 million, an impairment of the investment's value in use of €49 million on the line "equity-accounted entities".

Banco Popular Español (BPE)

The investment in BPE is accounted for using the equity method, as the Group and BPE have the following relations of significant influence: representation of Crédit Mutuel - CIC on the Board of Directors of BPE, existence of a banking joint venture between the two groups and numerous mutual commercial agreements on the French and Spanish corporate and retailmarkets.

The investment's carrying amount reflects the Group's share of BPE's net assets (IFRS) up to its recoverable value, based on its value in use. This is calculated using projected future discounted cash flows distributable to shareholders, taking into account regulatory requirements on credit insitutions relating to equity levels. The estimated earnings used are the public forecasts issued by BPE's management, announced in October 2012 and revised after the marketplace stress test carried out on the Spanish banks by Oliver Wyman. The cash flow discount rate was determined using the long-terminterest rate on Spanish government debt, plus a BPE risk premium taking into account the sensitivity of its share price to market risk, calculated using the Ibex 35 index on the Madrid Stock Exchange.

The value in use thus calculated gives a value of €1.25 per BPE share, higher than the total equity-accounted investment of €410 million in the Group's financial statements at December 31. An analysis of sensitivity to key parameters used by the model, in particular the discount rate, shows that a 100 basis point increase in the discount rate would reduce the value in use by 7.8%. Similarly, a 5% decrease in the projected results in BPE's business plan would reduce the value in use by 4.8%. These two cases would not, however, bring into question the equity-accounted value recognized in the group's consolidated financialstatements.

As a reminder, the closing share price on the Madrid Stock Exchange was 58.6 euro cents per share at December 31, 2012 and 66 euro cents at February 15, 2013. The stock market value of the Group's portfolio of BPE shares was €216 million at December 31, 2012 and €243 million at February 15, 2013.

Note 16 Investment Property

	Dec. 31, 2011	Additions	Disposals	Other movements	Dec. 31, 2012
Historical cost	1,121	419	- 78	0	1,463
Accumulated depreciation and impairment losses	- 212	- 24	3	0	- 234
Net amount	**909**	**395**	**- 75**	**0**	**1,229**

The fair value of investment property carried at amortized cost was €1,621 million at December 31, 2012.

Note 17 Property, equipment and intangible assets

Note 17a Property and equipment

	Dec. 31, 2011	Additions	Disposals	Other movements	Dec. 31, 2012
Historical cost					
Land used in operations	449	4	- 6	14	461
Buildings used in operations	4,120	185	- 53	30	4,282
Other property and equipment	2,298	243	- 156	- 2	2,383
Total	**6,866**	**432**	**- 215**	**42**	**7,126**
Accumulated depreciation and impairment losses					
Land used in operations	- 3	0	0	2	- 1
Buildings used in operations	- 2,188	- 209	41	- 22	- 2,379
Other property and equipment	- 1,734	- 177	94	- 8	- 1,825
Total	**- 3,926**	**- 387**	**135**	**- 28**	**- 4,205**
Total – Net amount	**2,940**	**45**	**- 79**	**14**	**2,921**
Of which buildings rented under finance lease					
Land used in operations	6				6
Buildings used in operations	76			3	79
Total	**82**	**0**	**0**	**3**	**85**

Note 17b Intangible assets

	Dec. 31, 2011	Additions	Disposals	Other movements	Dec. 31, 2012
Historical cost					
Internally developed intangible assets	15	1	- 1	0	15
Purchased intangible assets	1,670	95	- 26	87	1,826
– software	*476*	*10*	*- 16*	*1*	*472*
– other	*1,194*	*84*	*- 10*	*86*	*1,353*
Total	**1,685**	**96**	**- 27**	**87**	**1,841**
Accumulated depreciation and impairment losses					
Purchased intangible assets	- 682	- 140	20	5	- 797
– software	*- 248*	*- 63*	*15*	*0*	*- 296*
– other	*- 433*	*- 78*	*5*	*6*	*- 501*
Total	**- 682**	**- 140**	**20**	**5**	**- 797**
Total – Net amount	**1,004**	**- 45**	**- 7**	**92**	**1,044**

Note 18 Goodwill

	Dec. 31, 2011	Additions	Disposals[1]	Other movements	Dec. 31, 2012
Goodwill, gross	4,480	12	- 74	- 3	4,415
Accumulated impairment losses	- 182		0	0	- 182
Goodwill, net	**4,298**	**12**	**- 74**	**- 3**	**4,233**

1. Fair value increment adjustment

Subsidiaries	Goodwill at Dec. 31, 2011	Additions	Disposals	Impairment charges/ reversals	Other movements	Goodwill at Dec. 31, 2012
Targobank Allemagne	2,763					2,763
Crédit Industriel et Commercial (CIC)	497					497
Cofidis Participations	378					378
Targobank Spain (formerly Banco Popular Hipotecario)	183					183
El Telecom	78					78
CIC Private Banking-Banque Pasche	52				3	55
Banque Casino	27		- 1			26
CM-CIC Investissement	21					21
Monabanq	17					17
CIC Iberbanco	15					15
Banque de Luxembourg	13					13
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Other	242	12	- 73		- 5	175
Total	**4,298**	**12**	**- 74**	**0**	**- 2**	**4,233**

The cash generating units to which goodwill is assigned are tested annually to ascertain their recoverable value.

Impairment is recognized by writing down goodwill when the recoverable value is less than the carrying value. Recoverable value is calculated using two methods :

– Fair value minus selling costs, which is based on observing valuation multiples on comparable transactions or market parameters used by analysts on similar entities or activities ;

– Value in use, which is based on the discounting to present value of expected future cash flows.

To calculate value in use, cash flows are based on business plans established by management for a maximum period of five years, then on the projection of an infinite flow, according to a long-term growth rate. This rate is set at 2% for the whole of Europe, which is an assumption measured comparatively to the rate of inflation observed over a very long period.

The cash flow discount rate is the capital cost, which is calculated on the basis of a risk-free long-term rate, plus a risk premium. The risk premium is calculated by observing price sensitivity compared with the market in the case of a listed asset, or by analyst estimates in the case of unlisted assets.

The key sensitivity factors in the recoverable value test based on value in use are the discount rate and anticipated future flow levels. If value in use has been implemented as an impairment test, the parameters and sensitivities are as follows :

	Targobank Germany	Targobank Spain	Cofidis	RMA Watanya
	Network bank	**Network bank**	**Consumer credit**	**Insurance (Morocco)**
Capital cost	9.00%	10.50%	9.30%	11.00%
Effect of 100 basis point increase in capital cost	- 631	- 31	- 248	- 4
Effect of 10% decrease in future cash flows	- 492	- 33	- 200	- 6

Goodwill relating to RMA Watanya was written down in the amount of €27 million in 2012; for other goodwill, the impact through profit or loss of goodwill valuation would be limited to €33 million in the worst-case scenarios considered.

Note 19 Debt securities

	Dec. 31, 2012	Dec. 31, 2011
Retail certificates of deposit	763	744
Interbank instruments and money market securities	49,483	46,601
Bonds	42,447	38,755
Accrued interest	1,227	1,128
Total	**93,919**	**87,227**

Note 20 Insurance companies' technical provisions

	Dec. 31, 2012	Dec. 31, 2011
Life	64,199	57,542
Non-life	2,142	2,084
Unit of account	6,164	6,135
Other	207	199
Total	**72,712**	**65,960**
Of which deferred profit-sharing – liability	*5,990*	*1,838*
Reinsurers' share of technical reserves	269	255
Total – Net technical provisions	**72,443**	**65,705**

Note 21 Provisions

	Dec. 31, 2011 (restated)	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	Dec. 31, 2012
Provisions for risks	**395**	**91**	**- 64**	**- 106**	**28**	**344**
Signature commitments	139	45	- 3	- 55	18	144
Financing and guarantee commitments	0	0	0	0	0	0
On country risks	18	0	0	0	- 2	16
Provision for taxes	65	19	- 23	-19	8	50
Provisions for claims and litigation	147	15	- 33	-29	6	106
Provision for risks on miscellaneous receivables	26	12	- 5	- 3	- 2	28
Other provisions	**748**	**143**	**- 87**	**- 67**	**5**	**742**
Provisions for home savings accounts and plans	105	0	-18	- 23	1	65
Provisions for miscellaneous contingencies	365	92	-62	- 16	2	381
Other provisions	278	51	- 7	- 28	2	296
Provisions for retirement benefits	**657**	**122**	**- 31**	**- 7**	**176**	**916**
Retirement benefits – defined benefit and equivalent, excluding pension funds						
Retirement bonuses	460	66	- 11	- 1	156	670
Supplementary retirement benefits	103	33	- 20	- 1	2	117
Long service awards (other long-term benefits)	82	22	0	- 3	2	103
Sub-total to statement of financial position	**645**	**121**	**- 31**	**- 5**	**160**	**890**
Supplementary retirement benefit – defined benefit, provided by Group's pension funds						
Provision for pension fund shortfalls[1]	11	1	0	- 1	14	26
Sub-total to statement of financial position	**11**	**1**	**0**	**- 1**	**14**	**26**
Total	**1,800**	**356**	**- 183**	**- 180**	**208**	**2,002**

Assumptions	2012	2011
Discount rate[2]	2.9%	4.7%
Annual increase in salaries[3]	Minimum 1.5%	Minimum 1.8%

1. The provision for pension fund shortfalls only covers foreign entities.
2. The discount rate used is the yield on long-termbonds issued by leading companies, estimated based on the Iboxx index.
3. The annual increase in salaries is the estimate of cumulative future salary inflation. Since 2010, it is also based on the age of the employees.

Movements in provision for retirement bonuses

	Dec. 31, 2011 (restated)	Discounted amount	Financial income	Cost of services performed
Commitments	772	37		32
Non-Group insurance contract and externally managed assets	312		14	
Provisions	460	37	- 14	32

	Dec. 31, 2010	Discounted amount	Financial income	Cost of services performed
Commitments	395	13		28
Non-Group insurance contract and externally managed assets	2			
Provisions	393	13		28

A change of plus/minus 50 basis points of discount rates would result, respectively, in a decrease of €56 million/an increased commitment of €63 million. The duration of commitments (excluding foreign entities) is 17 years.

Change in the fair value of plan assets

in € thousands	Fair value of assets Dec. 31, 2011	Discounted amount	Actuarial gains (losses)	Yield of plan assets
Fair value of plan assets	579,780	11,265	24,389	14,024

Breakdown of the fair values of plan assets

	Dec. 31, 2012	
Breakdown of fair value of plan assets	Debt securities	Equity instruments
Assets listed on an active market	77%	19%
Assets not listed on an active market	0%	0%
Total	**77%**	**19%**

Other costs, incl. past service	Actuarial gains (losses)	Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31, 2012
21	151	- 32		26	- 7	999
0	8		- 5			329
21	143	- 32	5	26	- 7	670

Other costs, incl. past service	Actuarial gains (losses)	Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31, 2011 (restated)
4	16	- 31			348	772
					310	312
4	16	- 31			37	460

Contributions by plan participants	Employer contributions	Payment to beneficiaries	Foreign exchange effect	Other	Fair value of assets Dec. 31, 2011
- 4,417	113,159	- 20,011			718,189

		Dec. 31, 2012			
Real estate	Other	Debt securities	Equity instruments	Real estate	Other
0%	4%	74%	22%	0%	4%
0%	0%	0%	0%	0%	0%
1%	**4%**	**74%**	**22%**	**0%**	**4%**

Provisions for home savings accounts and plans signature risk

	Dec. 31, 2012	Dec. 31, 2011
Home savings plan outstandings		
Seniority under 10 years	10,732	13,766
Seniority over 10 years	8,423	4,441
Total	**19,155**	**18,207**
Savings account outstandings	3,027	2,952
Total home savings accounts and plans	**22,181**	**21,159**

Home savings loans

	Dec. 31, 2012	Dec. 31, 2011
Outstanding home savings loans recognized in statement of financial position (amount used to calculate risk provisions)	794	823

Provisions for home savings accounts and plans

	Dec. 31, 2011	Net additions / reversals	Other movements	Dec. 31, 2012
On home savings accounts	48	(25)	1	24
On home savings plans	34	(16)	0	18
On home savings loans	23	(1)	1	23
Total	**105**	**(42)**	**2**	**65**

Analysis of provisions on home savings plans by seniority

	Dec. 31, 2011	Net additions / reversals	Other movements	Dec. 31, 2012
Seniority under 10 years	12	(5)	0	7
Seniority over 10 years	22	(11)	0	11
Total	**34**	**(16)**	**0**	**18**

Home savings accounts (comptes épargne logement, CEL) and home savings plans (plans épargne logement, PEL) are French regulated savings products, allowing individual customers to invest over time in an interest bearing account giving subsequent entitlement to a home loan. These products place a twofold commitment on the distributor :

– a commitment to provide a return to depositors on amounts invested: fixed-rate for PEL and variable-rate (periodically reviewed based on benchmark indexes) for CEL.

– a commitment to lend to those customers on demand, on predetermined terms (for both CEL and PEL).

The commitments have been estimated on the basis of customer statistical behavior and market inputs.

A provision is established in the liabilities section of the statement of financial position to cover potential future costs arising from unfavorable conditions relating to these products, on the basis of interest rates offered to individual customers by similar, non-regulated products. This approach is based on homogeneous generations of regulated terms for PEL. The impact on income is recognized as "interest due to customers".

The decrease in the provisions for risks at December 31, 2012 compared to the previous year is due to a downward revision of expected future interest rates (determined using a Cox-Ingersoll-Ross rate model or similar).

Note 22 Subordinated debt

	Dec. 31, 2012	Dec. 31, 2011
Subordinated notes	4,795	4,947
Non-voting loan stock	29	39
Perpetual subordinated notes	1,461	1,463
Other debt	1	19
Accrued interest	89	96
Total	**6,375**	**6,563**

Main subordinated debt issues

(in € millions)	Type	Issue date	Amount issued	Amount at Dec. 31, 2012[1]	Rate	Maturity
Banque Fédérative du Crédit Mutuel	Subordinated	July 19, 2001	€700m	€595m	6.50	July 19, 2013
Banque Fédérative du Crédit Mutuel	Subordinated	September 30, 2003	€800m	€791m	5.00	September 30, 2015
Banque Fédérative du Crédit Mutuel	Subordinated	December 18, 2007	€300 m	€300m	5.10	December 18, 2015
Banque Fédérative du Crédit Mutuel	Subordinated	June 16, 2008	€300m	€300m	5.50	June 16, 2016
Banque Fédérative du Crédit Mutuel	Subordinated	December 16, 2008	€500m	€500m	6.10	December 16, 2016
Banque Fédérative du Crédit Mutuel	Subordinated	December 6, 2011	€1,000m	€1,000m	5.30	December 6, 2018
Banque Fédérative du Crédit Mutuel	Subordinated	October 22, 2010	€1,000m	€917m	4.00	October 22, 2020
CIC	Non-voting loan	May 28, 1985	€137m	€13m	[2]	[3]
Banque Fédérative du Crédit Mutuel	Deeply	December 15, 2004	€750m	€749m	[4]	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply	February 25, 2005	€250m	€250m	[5]	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply	April 28, 2005	€404m	€390 m	[6]	No fixed maturity

1. Amounts net of intra-Group balances.
2. Minimum 85 % (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
3. Non amortizable, but redeemable at borrower's discretion with effect from May 28, 1997 at 130% of par revalued by 1.5% annually for subsequent years.
4. 10-year CMS ISDA CIC + 10 basis points.
5. 10-year CMS ISDA + 10 basis points.
6. Fixed-rate 4.471 until October 28, 2015 and thereafter 3-month Euribor + 185 basis points.

Note 23 Shareholders' equity

Note 23a Shareholders' equity – Group share (excluding unrealized or deferred gains or losses)

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Capital stock and additional paid-in capital and reserves	5,808	5,596
– Capital stock	*5,808*	*5,596*
– Premium relating to issue, transfer, merger, split, conversion	*0*	*0*
Consolidated reserves	19,627	17,951
– Regulated reserves	*7*	*7*
– Other reserves (including effects related to first application of standards)	*19,514*	*17,906*
– Retained earnings	*106*	*38*
Net income	1,622	1 660
Total	**27,057**	**25,207**

The share capital of Caisses de Crédit Mutuel comprises :

– non-transferable A units,
– tradable B units,
– priority interest P units.

B units may only be subscribed by members with a minimum of one A unit. The articles of association of local Caisses limit subscription to B units by the same member to €50,000 (except in the case of reinvestment of the dividend in B units). Pursuant to the law of September 10, 1947, capital may be no lower, after restatement of contributions, than one quarter of its highest previous level.

The purchasing system for B units differs according to whether they were subscribed before or after December 31, 1988 :

– units subscribed up to December 31, 1988 may be redeemed at the member's request for January 1 each year. Redemption, which is subject to compliance with measures governing the capital decrease, requires a minimum notice period of three months.

– units subscribed from January 1, 1980 may be redeemed at the member's request with a notice period of five years, except in the case of marriage, death or unemployment. These transactions must also comply with measures governing the capital decrease.

The Caisse may, by resolution of the board of directors and with the agreement of the supervisory board, redeem all or some of the units in this category under the same conditions.

Priority interest P units are issued both by Caisse Régionale du Crédit Mutuel de Normandie, and by the Caisse de Crédit Mutuel "Cautionnement Mutuel de l'Habitat", a mutual loan guarantee company that has been issuing priority interest share capital units since 1999, with subscription reserved for distributors of secured loans outside the CM11 group.

At December 31, 2012, the share capital of Caisses de Crédit Mutuel broke down as follows :

– €177.5 million in A units, compared with €175.8 million at December 31, 2011,
– €5,595.0 million in B and similar units, compared with €5,372.9 million at December 31, 2011,
– €35.2 million in P units, compared with €47.4 million at December 31, 2011.

Note 23b Unrealized or deferred gains and losses

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Unrealized or deferred gains and losses[1] relating to		
Available-for-sale financial assets		
– equities	*641*	*397*
– bonds	*- 24*	*- 1,257*
Cash flow hedges	- 99	- 105
Actuarial gains and losses	- 169	- 68
Translation adjustments	30	28
Share of unrealized or deferred gains and losses of associates	- 53	- 36
Total	**326**	**- 1,040**
Attributable to the Group	*269*	*- 990*
Non-controlling interests	*57*	*- 50*

1. Net of tax.

Note 23c Recycling of gains and losses recognized directly in equity

	Movements 2012	Movements 2011 (restated)
Translation adjustments		
Reclassification in income	0	0
Other movements	2	- 5
Sub-total	**2**	**- 5**
Remeasurement of available-for-sale financial assets		
Reclassification in income	4	143
Other movements	1,472	- 908
Sub-total	**1,476**	**- 766**
Remeasurement of hedging derivative instruments		
Reclassification in income	0	0
Other movements	6	- 16
Sub-total	**6**	**- 16**
Actuarial gains and losses on defined benefit plans	- 101	- 16
Share of unrealized or deferred gains and losses of associates	- 17	- 18
Total	**1,366**	**- 821**

Note 23d Tax on components of gains and losses recognized directly in equity

	Changes 2012			Changes 2011 (restated)		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	2		2	- 5		- 5
Remeasurement of available-for-sale financial assets	1,364	112	1,476	- 1,129	363	- 766
Remeasurement of hedging derivative instruments	0	6	6	- 19	2	- 16
Actuarial gains and losses on defined benefit plans	- 140	39	- 101	- 24	8	- 16
Share of unrealized or deferred gains and losses of associates	- 17		- 17	- 18	0	- 18
Total gains and losses recognized directly in shareholders' equity	**1,209**	**157**	**1,366**	**- 1,194**	**374**	**- 821**

Note 24 Commitments given and received

Commitments given and received

	Dec. 31, 2012	Dec. 31, 2011
Financing commitments		
To credit institutions	1,620	1,626
To customers	47,882	52,107
Guarantee commitments		
To credit institutions	1,323	2,265
To customers	13,800	13,677
Commitments on securities		
Other commitments given	255	440
Commitments given by Insurance business line	218	316

Commitments received

	Dec. 31, 2012	Dec. 31, 2011
Financing commitments		
From credit institutions	24,313	20,665
From customers	4	0
Guarantee commitments		
From credit institutions	29,132	30,925
From customers	7,327	7,487
Commitments received on securities		
Other commitments received	115	31
Commitments received by Insurance business line	5,611	6,751

Assets pledged as collateral for liabilities	Dec. 31, 2012	Dec. 31, 2011
Loaned securities	4	5
Security deposits on market transactions	8,070	7,646
Securities sold under repurchase agreements	24,726	26,758
Total	**32,800**	**34,409**

For refinancing, the Group sells debt and/or shareholders' equity obligations under repurchase agreements, transferring ownership of securities that the beneficiary can then lend in turn. The borrower receives the coupons or dividends. These transactions are subject to margin calls and the Group is exposed to non-return of securities.

At December 31, 2012, the fair value of assets sold under repurchase agreements was €24,322 million.

Note 25 Interest income, interest expense and equivalent

	December 31, 2012		December 31, 2011	
	Income	Expense	Income	Expense
Credit institutions and central banks	1,111	- 1,448	1,350	- 1,324
Customers	13,513	- 6,611	13,760	- 5,855
of which finance leases and operating leases	*2,679*	*- 2,360*	*2,681*	*- 2,361*
Hedging derivative instruments	2,886	- 3,499	1,885	- 2,229
Available-for-sale financial assets	735		773	
Held-to-maturity financial assets	389		192	
Debt securities		- 2,094		- 2,184
Subordinated debt		- 47		- 68
Total	**18,634**	**- 13,700**	**17,960**	**- 11,660**

Note 26 Fees and commissions

	December 31, 2012		December 31, 2011	
	Income	Expense	Income	Expense
Credit institutions	17	- 3	14	- 4
Customers	1,130	- 18	1,174	- 17
Securities	685	- 47	739	- 53
Of which funds managed for third parties	*474*		*489*	
Derivative instruments	3	- 5	4	- 13
Foreign exchange	17	- 2	19	- 3
Financing and guarantee commitments	43	- 3	46	- 5
Services provided	1,605	- 796	1,656	- 856
Total	**3,500**	**- 874**	**3,653**	**- 951**

Note 27 Net gain (loss) on financial instruments at fair value through profit or loss

	Dec. 31, 2012	Dec. 31, 2011
Trading derivative instruments	667	35
Instruments designated under the fair value option [1]	181	- 124
Ineffective portion of hedging instruments	8	- 42
– Cash flow hedges	0	0
– Fair value hedges	7	- 42
Change in fair value of hedged items	*- 840*	*405*
Change in fair value of hedging items	*848*	*- 447*
Foreign exchange gains (losses)	43	61
Total changes in fair value	**898**	**- 70**

1. Of which €93 million relating to the Private Equity business line.

Note 28 Net gain (loss) on available-for-sale financial assets

	December 31, 2012			
	Dividends	Realized gains	Impairment	Total
Government securities, bonds and other fixed-income securities		89	0	89
Equities and other variable-income securities	7	15	20	42
Long-term investments	69	43	11	124
Other	0	- 3	0	- 4
Total	**76**	**144**	**31**	**251**

	December 31, 2011 (restated)			
	Dividends	Realized gains	Impairment	Total
Government securities, bonds and other fixed-income securities		16	0	16
Equities and other variable-income securities	9	16	- 40	- 15
Long-term investments	66	116	- 103	79
Other	0	- 82	0	- 82
Total	**75**	**67**	**- 143**	**- 1**

Note 29 Other income and expense

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Income from other activities		
Insurance contracts	10,832	9,336
Investment property :	1	1
– *reversals provisions/amortization*	*0*	*1*
– *gains on disposals*	*1*	*0*
Rebilled expenses	73	69
Other income	1,628	1,588
Sub-total	**12,534**	**10,994**
Expenses on other activities		
Insurance contracts	- 8,838	- 7,852
Investment property :	- 24	- 22
– *net movements in depreciation, amortization and impairment (based on the accounting method selected))*	*- 24*	*- 21*
– *losses on disposals*	*- 1*	*- 1*
Other expenses	- 919	- 986
Sub-total	**- 9,781**	**- 8,860**
Other income and expense, net	**2,753**	**2,134**

Net income from the Insurance business line

	Dec. 31, 2012	Dec. 31, 2011
Earned premiums	7,871	7,869
Claims and benefits expenses	- 6,200	- 6,018
Movements in provisions	- 2,638	- 1,854
Other technical and non-technical income and expense	53	69
Net investment income	2,907	1,418
Total	**1,994**	**1,485**

Note 30 General operating expenses

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Payroll costs	- 4,368	- 4,007
Other operating expenses	- 2,973	- 2,924
Total	**- 7,341**	**- 6,931**

Note 30a Payroll costs

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Salaries and wages	- 2,744	- 2,578
Social security contributions	- 1,115	- 982
Employee benefits	- 4	- 7
Incentive bonuses and profit-sharing	- 209	- 171
Payroll taxes	- 290	- 266
Other expenses	- 6	- 3
Total	**- 4,368**	**- 4,007**

Number of employees

	Dec. 31, 2012	Dec. 31, 2011
Average number of employees		
Banking staff	39,830	39,825
Management	22,299	21,320
Total	**62,129**	**61,145**
Analysis by country		
France	51,142	50,711
Rest of the world	10,987	10,434
Total	**62,129**	**61,145**

Includes 284 employees of Targobank Spain and 92 employees of Banque Casino, consolidated using the proportional method.

	Dec. 31, 2012	Dec. 31, 2011
Number of employees at end of period[1]	65,863	65,174

1. The number of employees at the end of period corresponds to the total number of employees in all entities controlled by the Group at December 31. In contrast, the consolidated average number of employees (full-time equivalent, or FTE) is limited to the scope of financial consolidation (full or proportional consolidation).The number of employees at the end of period corresponds to the total number of employees in all entities controlled by the Group at December 31. In contrast, the consolidated average number of employees (full-time equivalent, or FTE) is limited to the scope of financial consolidation (full or proportional consolidation).

Note 30b Other operating expenses

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Taxes and duties	- 311	- 288
External services	- 2,083	- 2,066
Other miscellaneous expenses (transportation, travel, etc)	- 75	- 65
Total	**- 2,469**	**- 2,419**

Note 30c Depreciation, amortization and impairment of property, equipment and intangible assets

	Dec. 31, 2012	Dec. 31, 2011
Depreciation and amortization	- 504	- 504
– property and equipment	*- 397*	*- 391*
– intangible assets	*- 107*	*- 113*
Impairment losses	0	- 1
– property and equipment	*0*	*0*
– intangible assets	*0*	*- 1*
Total	**- 504**	**- 505**

Note 31 Net additions to/reversals from provisions for loan losses

December 31, 2012	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	- 15	38	- 3	0	0	20
Customers	- 1,480	1,434	- 710	- 396	131	- 1,020
– Finance leases	- 5	8	- 5	- 3	1	- 4
– Other customer items	- 1,475	1,426	- 705	- 393	131	- 1,016
Sub-total	**- 1,495**	**1,472**	**- 712**	**- 396**	**131**	**- 1,000**
Held-to-maturity financial assets	0	0	0	0	0	0
Available-for-sale financial assets [1]	- 10	408	- 473	- 44	31	- 89
Other	- 57	67	0	-2	0	8
Total	**- 1,563**	**1,947**	**- 1,185**	**- 442**	**162**	**- 1,081**

1. Of which - €30 million from the disposal of Greek sovereign debt (see Note 7b).

December 31, 2011	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	- 3	51	0	0	0	48
Customers	- 1,615	1,616	- 754	- 371	112	- 1,012
– Finance leases	- 10	6	- 3	- 6	0	- 13
– Other customer items	- 1,605	1,609	- 751	- 365	111	- 999
Sub-total	**- 1,618**	**1,667**	**- 754**	**- 371**	**112**	**- 964**
Held-to-maturity financial assets	- 2	0	0	0	0	- 2
Available-for-sale financial assets [1]	- 464	1	- 40	- 50	44	- 509
Other	- 52	73	- 2	0	0	19
Total	**- 2,135**	**1,741**	**- 796**	**- 421**	**156**	**- 1,456**

1. Includes €451 million impairment losses on Greek sovereign debt.

Note 32 Gains (losses) on other assets

	Dec. 31, 2012	Dec. 31, 2011
Property, equipment and intangible assets	16	66
– *Losses on disposals*	*- 16*	*- 12*
– *Gains on disposals*	*32*	*78*
Gain (loss) on consolidated securities sold	0	0
Total	**16**	**66**

Note 33 Change in value of goodwill

	Dec. 31, 2012	Dec. 31, 2011
Impairment of goodwill [1]	- 27	- 9
Negative goodwill recognized in income	0	0
Total	**- 27**	**- 9**

1. Goodwill relating to RMA of €87 million was written down in the amount of €27 million during 2012.

Note 34 Corporate income tax

Breakdown of income tax expense

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Current taxes	- 1,047	- 854
Deferred taxes	- 14	- 89
Adjustments in respect of prior years	4	18
Total	**- 1,057**	**- 925**

Reconciliation between the income tax expense recognized in the financial statements and the theoretical income tax expense

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Taxable income	3,029	2,712
Theoretical tax rate	36.10%	36.10%
Theoretical tax expense	**- 1,093**	**- 979**
Impact of specific SCR and SICOMI tax rules	25	18
Impact of changes in deferred tax rates	0	30
Impact of the reduced rate on long-term capital gains	44	48
Impact of specific tax rates of foreign entities	4	7
Other	- 36	- 49
Income tax	**- 1,057**	**- 925**
Effective tax rate	**34.91%**	**34.12%**

Note 35 Fair value of financial instruments recognized at amortized cost

The fair values presented are an estimate based on observable inputs at December 31, 2012. They are determined using discounted cash flows calculated based on a risk-free interest rate curve, to which is added, in the case of asset items, a credit spread computed at the CM11-CIC Group level and reviewed each year.

The financial instruments included here are those associated with lending and borrowing. They do not include non-monetary elements (equities), trade payables, other assets, other liabilities and accruals. Non-financial instruments are not covered by this information.

The fair value of financial instruments payable on demand and of regulated customer savings accounts corresponds to the value due to the customer, i.e. the carrying amount.

Certain entities in the Group may also apply the assumption that the market value is the carrying amount, in the case of contracts with variable interest rate terms or contracts whose residual term is equal

to or less than one year.

We draw attention to the fact that, with the exception of financial assets held to maturity, financial instruments carried at amortized cost are not transferable or are not in practice traded before maturity. As such, no entries are made for related capital gains or losses.

However, should financial instruments carried at amortized cost be transferred, the selling price may be significantly different from the fair value calculated at December 31, 2012.

	Dec. 31, 2012		Dec. 31, 2011	
	Carrying amount	Market value	Carrying amount	Market value
Assets				
Loans and receivables due from credit institutions	53,924	51,164	38,603	36,909
Loans and receivables due from customers	269,411	275,877	263,906	265,489
Held-to-maturity financial assets	13,718	14,636	16,121	16,239
Liabilities				
Due to credit institutions	28,885	28,988	36,422	36,169
Due to customers	216,503	212,283	200,086	197,287
Debt securities	93,919	96,800	87,227	88,487
Subordinated debt	6,375	6,722	6,563	7,249

Note 36 Related party transactions

Statement of financial position items relating to related party transactions

	December 31, 2012			December 31, 2011 (restated)		
	Companies consolidated using the equity method	**Companies consolidated using the proportional method**	**Confédération Nationale**	**Companies consolidated using the equity method**	**Companies consolidated using the proportional method**	**Confédération Nationale**
Assets						
Loans, advances and securities						
– Loans and receivables due from credit institutions	*2,007*	*271*	*4,737*	*2,566*	*160*	*4,009*
– Loans and receivables due from customers	*0*	*0*	*36*	*0*	*0*	*44*
– Securities	*12*	*0*	*354*	*27*	*0*	*501*
Other assets	6	2	35	0	4	17
Total	**2,025**	**272**	**5,162**	**2,593**	**163**	**4,571**
Liabilities						
Deposits						
– Due to credit institutions	*3,786*	*3*	*867*	*3,745*	*0*	*2,615*
– Due to customers	*0*	*4*	*2,103*	*0*	*0*	*38*
Debt securities	115	0	1,102	139	0	864
Other liabilities	0	0	207	0	0	174
Total	**3,901**	**6**	**4,279**	**3,885**	**0**	**3,691**
Financing and guarantee commitments						
Financing commitments given	0	76	0	0	102	0
Guarantee commitments given	0	21	60	1,108	0	54
Financing commitments received	0	0	0	0	0	0
Guarantee commitments received	0	0	282	0	0	226

Income statement items relating to related party transactions

	December 31, 2012			December 31, 2011		
	Companies consolidated using the equity method	**Companies consolidated using the proportional method**	**Confédération Nationale**	**Companies consolidated using the equity method**	**Companies consolidated using the proportional method**	**Confédération Nationale**
Interest received	23	1	89	64	0	107
Interest paid	- 37	0	- 55	- 62	0	- 75
Fee and commissions received	0	1	11	0	0	24
Fee and commissions paid	0	0	- 6	0	0	- 11
Other income (expense)	26	5	- 29	17	4	- 121
General operating expenses	0	7	- 15	0	1	- 25
Total	**11**	**13**	**- 5**	**19**	**4**	**- 100**

The Confédération Nationale included Crédit Mutuel's regional federations not associated with the CM11-CIC Group.

In the case of companies consolidated using the proportional method (Banque Casino, Bancas and Targobank Spain) the amounts include the portion of intercompany transactions not eliminated on consolidation.

Relationships with the Group's key management

Remuneration received by the Group officers and directors includes a portion related to their activities at Crédit Mutuel and CIC. It may include a fixed and a variable portion. This remuneration is set by the deliberative bodies based on proposals from remuneration committees of the respective boards of directors. The Group's officers and directors may also receive the accidental death and disability and supplementary retirement benefit plans made available to all Group employees.

They did not receive any equity securities, warrants or options to purchase shares of entities under Group control. In addition, they do not receive any attendance fees in consideration of their board mandates, whether the boards are of Group companies or companies outside the Group but on whose board they sit as a result of their functions within the Group.

The Group's officers and directors may also hold assets or borrowings in the financial statements of the Group's banks on the same terms and conditions offered to all other employees.

Total remuneration paid to key management		
Amounts in € thousands	Dec. 31, 2012	Dec. 31, 2011
	Total remuneration	
Corporate officers – Management Committee – Board members who receive remuneration	5,267	5,334

At its meeting of May 19, 2011, the Board of Directors of CIC approved a severance payment in case of termination of Mr. Lucas' term of office as CEO, subject to a performance-related condition and representing one year of his remuneration as a corporate officer, i.e., a commitment currently estimated at €770,000 (including social contributions).

At its meeting of May 8, 2011, the Board of Directors of BCFM approved a severance payment in case of termination of Mr. Fradin's term of office as COO, subject to a performance-related condition and representing one year of his remuneration as a corporate officer, i.e., a commitment currently estimated at €1,120,000 (including social contributions). In his capacity as a corporate officer, Mr. Fradin also benefits from a supplemental pension plan on the same terms and conditions offered to all other BFCM employees. 2012 contributions to the insurance company amounted to €17,604 and covered the entire commitment.

Note 37 Events after the reporting period and other information

The consolidated financial statements of the CM11-CIC Group at December 31, 2012 were approved by the Board of Directors at its meeting of March 1, 2013.

Note 38 Exposure to risk

The risk exposure information required by IFRS 7 is included in Section IV of the management report.

Note 39 Statutory auditors' fees

(in € thousands of euros, excluding VAT)	Ernst & Young			
	Amount 2012	**Amount 2011**	**% 2012**	**% 2011**
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	*178*	*151*	*5%*	*5%*
– Fully consolidated subsidiaries	*2,731*	*2,775*	*80%*	*86%*
Other assignments and services directly related to the statutory audit[1]				
– BFCM	*45*		*1%*	*0%*
– Fully consolidated subsidiaries	*389*	*211*	*11%*	*7%*
Sub-total	**3,343**	**3,137**	**98%**	**98%**
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related			*0%*	*0%*
– Other	*73*	*74*	*2%*	*2%*
Sub-total	**73**	**74**	**2%**	**2%**
Total	**3,416**	**3,211**	**100%**	**100%**

(in € thousands of euros, excluding VAT)	KPMG Audit			
	Amount 2012	**Amount 2011**	**% 2012**	**% 2011**
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	*226*	*242*	*3%*	*4%*
– Fully consolidated subsidiaries	*4,469*	*4,418*	*63%*	*78%*
Other assignments and services directly related to the statutory audit[1]				
– BFCM	*35*	*19*	*0%*	*0%*
– Fully consolidated subsidiaries	*398*	*327*	*6%*	*6%*
Sub-total	**5,127**	**5,006**	**72%**	**89%**
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related			*0%*	*0%*
– Other	*1,948*	*630*	*27%*	*11%*
Sub-total	**1,967**	**630**	**28%**	**11%**
Total	**7,094**	**5,636**	**100%**	**100%**

1. Other assignments and services directly related to the statutory audit essentially consisted of assignments taken at the request of the supervisory authority to ensure compliance of the organization and its processes with regulatory requirements.

The total audit fees paid to auditors which are not members of the network of one of the auditors certifying the consolidated and individual financial statements of BFCM, mentioned in the table above, amounted to €8,648 thousand for the year 2012.

III.5 – Statutory auditors' report on the consolidated financial statements of CM11-CIC Group

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
A unit of KPMG S.A.
1, cours de Valmy
92923 Paris-La Défense Cedex, France

Statutory Auditor
Member of the Versailles regional institute of accountants

Ernst & Young et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable (simplified stock company with variable capital)

Statutory Auditor
Member of the Versailles regional institute of accountants

CM11-CIC Group

Statutory auditors' report on the consolidated financial statements
Year ended December 31, 2012

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2012, on:
- the audit of the accompanying consolidated financial statements of the CM11-CIC Group;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Notes 1.1 and 21 to the consolidated financial statements, which describe the early application as from January 1, 2012 of IAS 19 revised standard and its impact on the consolidated financial statements as at December 31, 2012.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The Group uses internal models and methods to value positions in financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in Notes 1.3 and 12 to the consolidated financial statements. We examined the control system applied to these models and methods, the parameters used and the identification of the financial instruments to which they apply.

- The Group recognizes impairment losses on assets available for sale when there is an objective indication of a prolonged or significant reduction in the value of these assets (Notes 1.3 and 7 to the consolidated financial statements). We examined the control system applied to the identification of impairment indicators, the valuation of the most significant items, and the estimates that led, where applicable, to the recognition of impairment provisions to cover losses in value.

• The Group carried out impairment tests on goodwill and investments held, which resulted, where relevant, in the recognition of impairment provisions in respect of this financial year (Notes 1.3 and 18 to the consolidated financial statements). We examined the methods used to implement these tests, the main assumptions and parameters used and the resulting estimates that led, where applicable, to impairment losses.

• The Group accounted for a correction of error over prior periods in the consolidated financial statements, as indicated in Notes 1.1 and 15 to the consolidated financial statements. The investment in Banco Popular Español (BPE) is now recognized according to the equity method. We examined the methods used with respect to this recognition, the main assumptions and parameters used and the resulting estimates. We also verified the correct restatement of the 2011 consolidated financial statements and the information provided in this respect in Note 15 to the consolidated financial statements.

• The Group records impairment losses to cover the credit and counterparty risks inherent to its business (Notes 1.3, 8a, 10, 21 and 31 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of losses in value by individual and collective impairment provisions.

• The Group records provisions for employee benefit obligations (Notes 1.3 and 21 to the consolidated financial statements). We examined the method used to assess these obligations, as well as the main assumptions and calculation methods used. With regard to the early application of IAS 19 revised standard, we verified the correct restatement of shareholders' equity as at January 1, 2012 and the information provided in Note 1.1 to the consolidated financial statements regarding the impact on financial year 2011.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Paris-La Défense, April 19, 2013
The Statutory Auditors

KPMG Audit A unit of KPMG S.A. *French original signed by*	Ernst & Young et Autres *French original signed by*
Jean-François Dandé Partner	Olivier Durand Partner

IV. CM11-CIC GROUP
BASEL PILLAR 3 DISCLOSURE FINANCIAL YEAR 2012

Disclosure published in connection with the transparency required by the French Decree of February 20, 2007 relating to capital requirements.

IV.1 – Risk management

IV.1.1 – Risk management policy and procedures

The risk management policy and procedures are presented in the “Risk Report” sectionof the CM11-CIC Group 2012 annual report.

IV.1.2 – Risk management function’s structure and organization

The Group’s internal controls and risk management system is organized around the Risk Department, the Risk Committee and the Risk Monitoring Committee.

Risks are monitored in accordance with the provisions of the French Decree of January 19, 2010, amending CRBF 97-02, concerning the risk function, for which it defines the missions involved.

IV.1.2.1 – Risk Department

The aim of the Group Risk Department, which regularly analyzes and reviews all types of risks with an eye toward the return on allocated regulatory capital, is to contribute to the Group’s growth and profitability while ensuring the quality of the risk management systems.

IV.1.2.2 – Risk Committee

This committee meets quarterly and includes the operational risk managers, who are the head of the Risk Department and the heads of the business lines and functions involved together with the executive management team. The head of the Risk Department prepares the agenda and reports, presents the main risks and developments in the main risks, and presides over the meetings. This Committee is responsible for overall ex-post and ex-ante risk monitoring.

IV.1.2.3 – Risk Monitoring Committee

This committee consists of members of the deliberative bodies and meets twice a year to review the Group’s strategic challenges and opportunities in the risk area. Based on the findings presented, it makes recommendations on all decisions of a prudential nature applicable to all Group entities.

The head of the Risk Department presides over this committee’s meetings and presents the files prepared for the various risk areas based on the work of the Risk Committee. Executive management also participates in the meetings of this committee, which may also invite the heads of the business lines that have a stake in the items on the meeting agenda.

IV.1.3 – Scope and nature of risk measurement and reporting systems

Coordinating operations with the various business lines, the CM11-CIC Risk Department regularly compiles management reports summarizing a review of the various risks: credit, market, global interest rate, intermediation, settlement, liquidity and operational risks. All of the Group’s main business lines are covered by monitoring and reports. More specifically, these management reports are prepared using the Group-wide Basel II tools and interface with the accounting system.

IV.2 – Equity structure

Regulatory capital levels are determined in accordance with French banking and financial regulations committee regulation 90-02 of February 23, 1990.

They are broken down into Tier 1 capital and Tier 2 capital, from which a certain number of deductions are carried out.

IV.2.1 – Tier 1 capital

This core capital is determined based on the Group’s reported shareholders’ equity, calculated on the prudential scope, after applying “prudential filters”. These adjustments primarily concern:

– dividend payment forecasts;
– deduction of goodwill on acquisitions and other intangible assets;
– deduction of unrealized capital gains on equity instruments net of the tax already deducted for accounting purposes (calculated for each currency) for Tier 1, and the inclusion of these unrealized capital gains in Tier 2 capital for 45%;
– net unrealized capital losses on equity instruments for each currency are not restated;
– unrealized capital gains or losses recognized directly in equity due to a cash flow hedging operation, as well as those relating to other financial instruments, including debt instruments, are eliminated.

IV.2.2 – Tier 1 capital admitted with cap

Hybrid securities are admitted as Tier 1 capital with a maximum limit, as approved by the general secretariat of the French Prudential Supervisory Authority, provided that they satisfy the eligibility criteria defined in Regulation 90-02, amended by the Decree of August 25, 2010.

More specifically, this concerns super subordinated notes issued under Article L. 228-97 of the French Commercial Code.

“Innovative” hybrid instruments, i.e. those with strong incentives for redemption, particularly through stepup payments, and dated instruments are limited to 15% of the Tier 1 capital.

All of these hybrid instruments — “innovative and non-innovative” — are limited to 35% of the Tier 1 capital. In addition, a grandfather clause plans to keep hybrid instruments at 100% over 30 years when they have already been issued, but may not be compliant with the new eligibility criteria introduced in August 2010, provided that they do not exceed a certain Tier 1 capital limit.

A detailed breakdown of the Group’s super subordinated notes at December 31, 2012 is presented below:

Issuer	Issue date	Issue amount (in €m)	Maturity date	Call date	Remuneration	Innovative (Yes/No)	Amount at Dec. 31, 2012 (in €m)
BFCM	10/17/2008	700	No fixed maturity	As of 10/17/2018	10.30% then 3-month Euribor + 6.65% from 10/17/2018	Yes	700
BFCM	12/15/2004	750	No fixed maturity	As of 12/15/2014	6% then EUR CMS10 + 0.10% or 8% maximum from 06/15/2006	No	750
BFCM	04/28/2005	600	No fixed maturity	As of 10/28/2015	4.471% then 3-month Euribor + 1.85% from 10/28/2015	Yes	404
BFCM	02/25/2005	250	No fixed maturity	As of 02/25/2015	7% then EUR CMS10 + 0.10% or 8% maximum from 02/25/2007	No	250

IV.2.3 – Tier 2 capital structure

The Tier 2 capital comprises:

– subordinated notes or securities issued which satisfy the conditions of CRBF Regulation 90-02 relating to shareholders’ equity (perpetual or redeemable subordinated notes);

– net unrealized capital gains on equity instruments, which are reversed for 45%, currency by currency, before tax;

– the positive difference between expected losses calculated using internal rating approaches and the total amount of collective impairments and value adjustments relating to the exposures concerned.

IV.2.4 – Deductions

The following deductions are booked against the Tier 1 capital and the Tier 2 capital for 50% of their amount in each tier.

More specifically, this concerns equity investments representing more than 10% of the capital of a credit institution or investment company, as well as the subordinated debt and any other related equity capital components.

This also concerns expected losses on exposure through equities as well as outstanding loans treated in line with the internal rating approach and not covered by value adjustments and provisions.

In addition, the Group applies the transitional method authorized by CRBF Regulation 90-02 concerning the treatment of equity investments in insurance companies. During a period through to December 31, 2012, financial conglomerates may deduct from their overall equity the consolidated value of their insurance securities (acquired prior to January 1, 2007), as well as the corresponding subordinated debts, with an equity value.

In € billions	Dec. 31, 2012	Dec. 31, 2011
Tier 1 capital, net of deductions	**0.0**	**21.5**
Capital	5.8	5.6
Eligible reserves	23.1	21.0
Hybrid securities retained with the ACP's agreement	2.1	2.1
Deductions from Tier 1 capital including, in particular, intangible assets	- 9.1	- 7.2
Tier 2 capital, net of deductions		
Subordinated securities and other Tier 2 elements	3.1	4.1
Additional deductions from capital (including insurance securities)	- 3.1	- 4.1
Total capital for capital adequacy ratio calculation	**21.8**	**21.5**
Capital requirement in respect of credit risk	10.1	12.1
Capital requirement in respect of market risks	0.3	0.4
Capital requirement in respect of operational risk	1.2	1.3
Total capital requirement before taking account of additional requirements (transitional measures)	**11.5**	**13.7**
Additional requirements in respect of floor levels	0.8	2.0
Total capital requirement	**12.4**	**15.7**
Solvency ratios		
Tier 1 ratio	**14.1%**	**11.0%**
Total ratio	**14.1%**	**11.0%**

IV.3 – Capital adequacy

Pillar 2 of the Basel agreement requires banks to carry out their own economic capital assessments and apply stress scenarios to evaluate their capital needs in the event of a deterioration in the economic environment. This pillar structures the dialogue between the Bank and the French Prudential Supervisory

Authority concerning the level of capital adequacy retained by the institution.

The work carried out by the Group to bring itself into line with the demands of Pillar 2 ties in with improvements to the credit risk measurement and monitoring system. In 2008, the Group rolled out its internal capital assessment framework as part of the Internal Capital Adequacy Assessment Process (ICAAP). The methods for measuring economic requirements have been further strengthened, while management and control procedures have been drawn up, also with a view to defining a framework for the risk policy. Alongside this, various stress scenarios have been determined.

The difference between the economic capital and the regulatory capital constitutes the margin making it possible to secure the Bank's level of capital. The latter depends on the Group's risk profile and aversion.

In € millions	Dec. 31, 2012	Dec. 31, 2011
Capital requirements in respect of credit risk	**10,080.3**	**12,098.7**
Standardized approach		
Central governments and central banks	5.8	7.2
Credit institutions	153.1	149.1
Corporates	652.3	6,166.1
Retail customers	1,520.5	1,539.1
Equities	42.5	54.6
Securitization positions under the standardized approach	41.1	29.8
Other assets not corresponding to credit obligations	43.9	64.2
Internal ratings-based approach		
Credit institutions	409.6	469.9
Corporates	3,742.8	
Retail customers		
Small and medium-sized entities	495.6	506.3
Renewable exposure	53.0	42.2
Real estate loans	791.8	718.9
Other exposures to retail customers	382.6	440.5
Equities		
Private equity *(190% weighting)*	234.9	223.9
Listed equities *(290% weighting)*	108.8	200.7
Other equities *(370% weighting)*	171.7	122.6
Other assets not corresponding to credit obligations	389.9	362.8
Securitization positions	840.5	1,000.8
Capital requirements in respect of market risk	**285.4**	**380.7**
Interest rate risk	147.7	175.0
Specific risk relating to securitization positions	60.8	64.6
Specific risk relating to correlation portfolio positions	12.9	57.7
Equity price risk	63.9	83.4
Market risk under standardized approach relating to positions on commodities prices	0.1	
Capital requirement in respect of operational risk	**1,183.5**	**1,265.5**
Internal ratings-based approach (IRBA)	807.4	823.2
Standardized approach	273.2	237.7
Total capital requirements	**11,549.2**	**13,744.9**

IV.4 – Concentration risk

IV.4.1 – Exposure for each category

Historically, the Group's priority has been to develop a customer base of private individuals. CIC, which was originally geared more toward the corporates market, has gradually gained strength in the personal banking segment. However, it continues to serve corporates.

The composition of the Group's portfolio clearly reflects these principles, as evidenced by the fact that the share of retail customers has been maintained, representing 52% at December 31, 2012.

	Exposure at Dec. 31, 2012			Exposure at Dec. 31, 2011			Average exposure 2012
In € billions	IRB	Standardiz	Total	IRB	Standardiz	Total	
Central governments and central banks		63	63		49	49	58
Credit institutions	33	9	42	33	9	43	40
Corporates	90	10	100		102	102	101
Retail customers	199	36	235	195	36	231	234
Equities	3	0	3	3	0	3	3
Securitization	4	0	4	5	1	6	4
Other assets not corresponding to credit obligations	5	1	5	5	1	5	5
Total	**333**	**119**	**453**	**241**	**198**	**439**	**445**

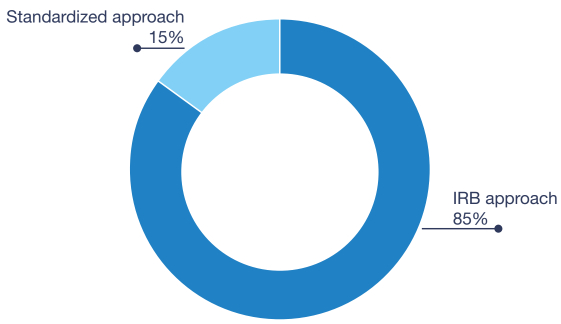
The Group has aligned itself to the most advanced components from the Basel 2 agreement, in particular with respect to its retail customers, its core business.

The French Prudential Supervisory Authority has authorized the Group to use its internal rating system for calculating its regulatory capital requirements on the credit risk:
– with the advanced approach, from June 30, 2008, for the retail customer portfolio;
– with the foundation approach, from December 31, 2008, then the advanced approach, from December 31, 2012 for the Bank's portfolio;
– with the advanced approach, from December 31, 2012, for the Corporate portfolio.

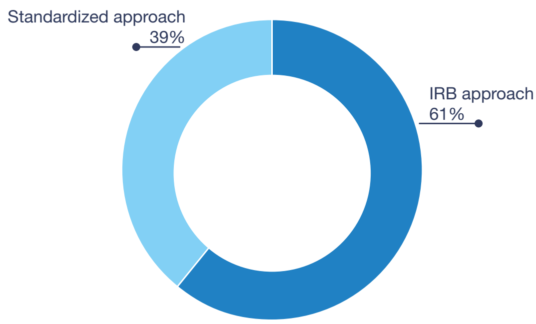
The percentage of exposures approved with advanced internal methods for the regulatory portfolios concerning Institutions, Corporates and Retail Customers came to 85% at December 31, 2012.

Capital adequacy requirements for the Government and Central Bank portfolios are evaluated on a longterm basis using the standard method as approved by the general secretariat of the French Prudential Supervisory Authority. Foreign subsidiaries are subject to the standard approach at December 31, 2012.

Proportion of gross IRB exposure at December 31, 2012



Proportion of gross IRB exposure at December 31, 2011



IV.4.2 – Exposure by counterparty country of residence

IV.4.2.1 – Breakdown at December 31, 2012

Exposure category	France	Germany	Other EEA member states	Rest of the world	Total
Central governments and central banks	11.4%	0.5%	1.2%	1.6%	14.7%
Credit institutions	5.9%	0.3%	0.7%	1.0%	7.9%
Corporates	18.3%	0.7%	2.0%	1.8%	22.8%
Retail customers	48.7%	3.2%	1.5%	1.1%	54.6%
Total	**84.2%**	**4.8%**	**5.5%**	**5.5%**	**100%**

IV.4.2.2 – Breakdown at December 31, 2011

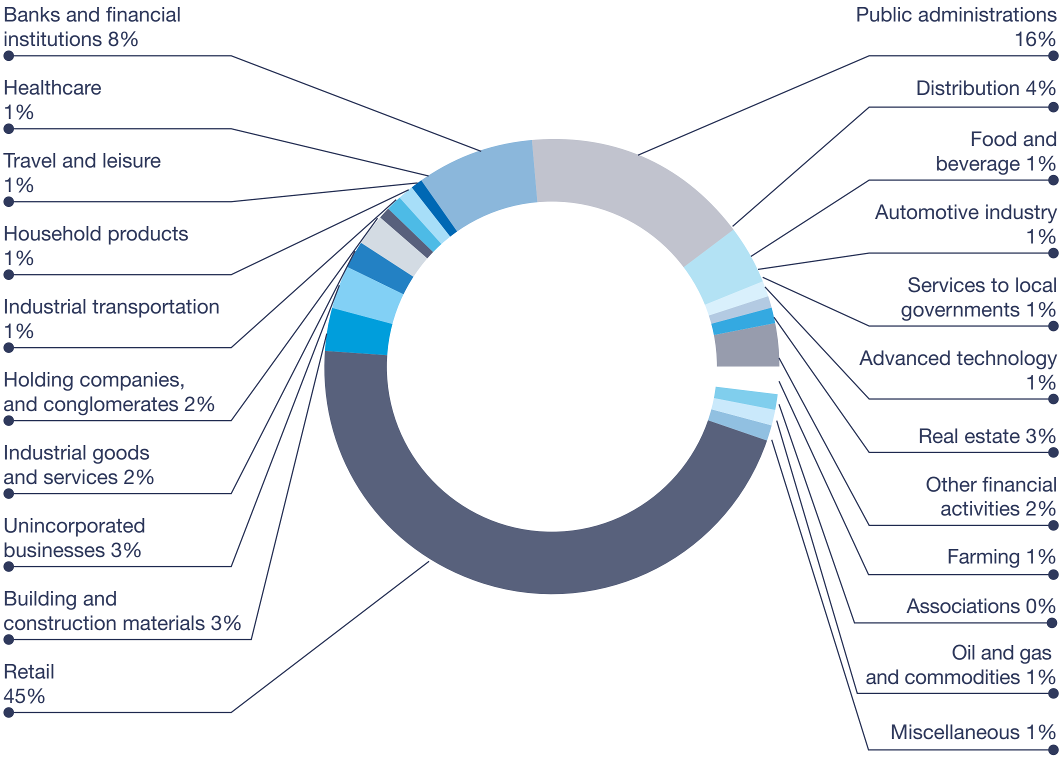
Exposure category	France	Germany	Other EEA member states	Rest of the world	Total
Central governments and central banks	8.7%	0.5%	1.7%	0.8%	11.6%
Credit institutions	6.8%	0.3%	1.2%	1.1%	9.4%
Corporates	19.1%	0.8%	2.0%	2.0%	23.9%
Retail customers	49.0%	3.4%	1.6%	1.2%	55.2%
Total	**83.6%**	**4.9%**	**6.6%**	**5.0%**	**100.0%**

The geographic breakdown of gross exposure at December 31, 2012 reflects the fact that the Group is primarily a French and European player, with 94.5% of commitments in the European Economic Area.

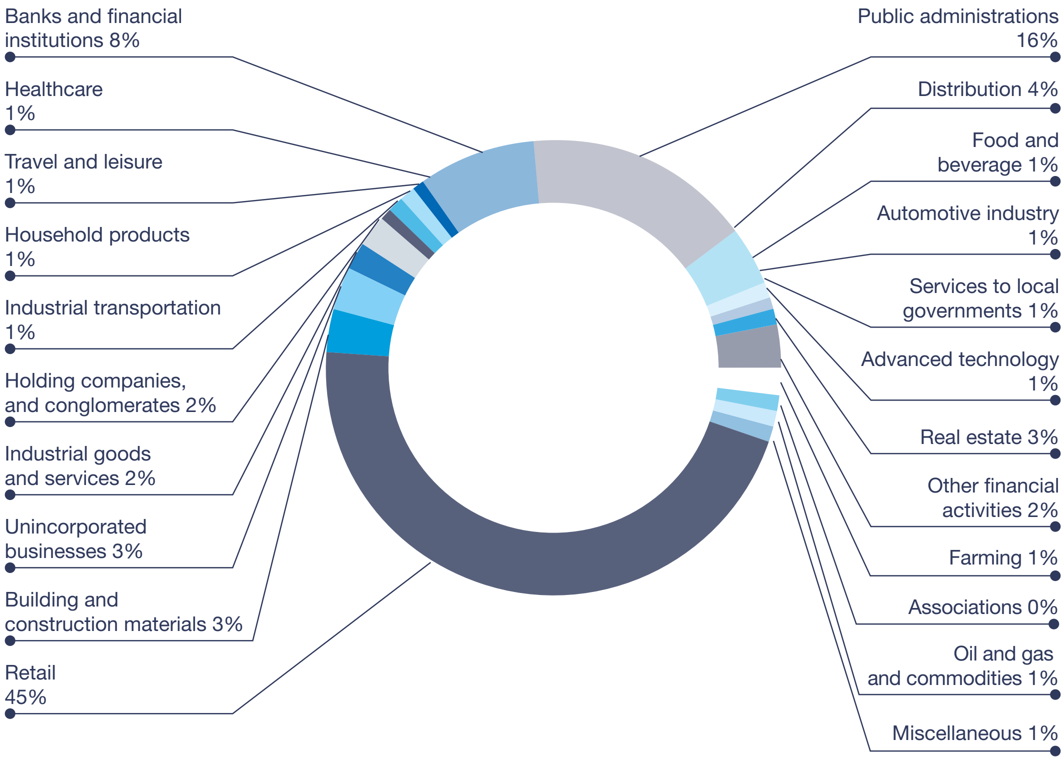
IV.4.3 – Exposure by sector

The sector breakdown reflects loans to governments and central banks, institutions, corporates and retail customers.

Gross exposure at December 31, 2012 – CM11-CIC



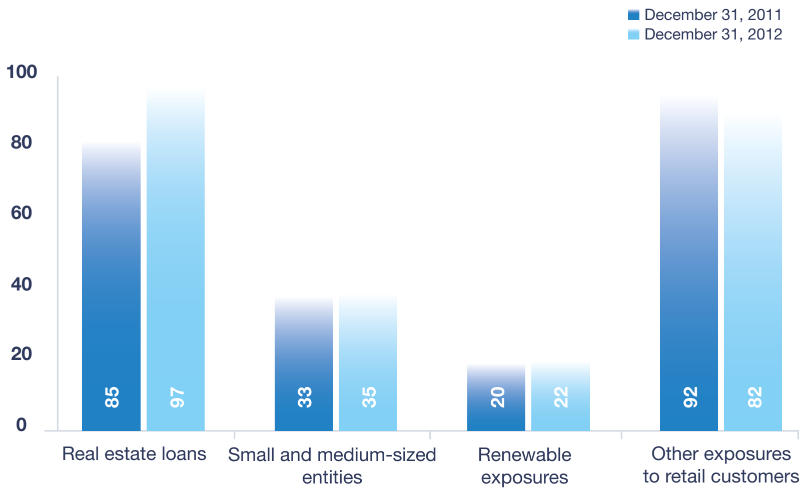
Gross exposure at December 31, 2012 – CM10-CIC



IV.4.4 – Breakdown of the retail customer portfolio

Outstanding loans to retail customers totaled €235 billion at December 31, 2012, compared with €231 billion at December 31, 2011. The breakdown of this portfolio by regulatory subcategory is presented in the following chart.

Breakdown of retail customer portfolio



IV.5 – Standard approach

The Group uses assessments by the rating agencies Standard & Poor's, Moody's and Fitch Ratings to measure the sovereign risk on exposure relating to governments and central banks. The cross-reference table used to reconcile credit rating levels with the external ratings taken into consideration is based on that defined by the regulations in force.

IV.5.1 – Exposure with the standard approach

Exposure to governments and central banks is weighted almost exclusively at 0%. The capital requirements associated with this portfolio reflect a limited sovereign risk for the Group with good-quality counterparties.

In € billions	Weightings				
Gross exposures	**0%**	**20%**	**50%**	**Total Dec. 31, 2012**	**Total Dec. 31, 2011**
Central governments and central banks	62.6		0.4	63.1	48.7
Local and regional authorities		5.1		5.1	4.4
Value exposed to risk	**0%**	**20%**	**50%**	**Total Dec. 31, 2012**	**Total Dec. 31, 2011**
Central governments and central banks	62.6		0.3	62.9	47.9
Local and regional authorities		4.8		4.8	3.9

IV.6 – Rating system

IV.6.1 – Rating system description and control

IV.6.1.1 – Single rating system for the entire CM11-CIC Group

Rating algorithms and expert models have been developed to improve the Group's credit risk assessment and to comply with regulatory requirements regarding internal rating processes.

Rating methodologies are defined under the responsibility of the National Confederation for all portfolios.

However, the regional entities are directly involved in developing and approving working group projects on specific issues, as well as work on data quality and application acceptance testing. The rating system for the Group's counterparties is used across the entire Group.

The Group's counterparties who are eligible for internal processes are rated by a single system which is based on:

– statistical algorithms or "mass ratings", based on one or more models, factoring in a selection of representative and predictive variables concerning the risk for the following segments:
  - private individuals;
  - retail entities;
  - real estate trusts;
  - sole traders;
  - farmers;
  - non-profit organizations;
  - corporates;
  - corporate acquisition financing.

– rating grids prepared by experts for the following segments:
  - banks and covered bonds;
  - key accounts;
  - financing of large corporate acquisitions;
  - real estate companies;
  - insurance companies.

These models (algorithms or rating grids) are used to ensure proper risk assessment and rating. The scale of values reflects risk progressivity and is divided into 11 positions, including nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D-, E+) and two default positions (E- and F).

VI.6.1.2 – Unified definition of default based on Basel and accounting requirements

A unified definition of default was introduced for the entire CM11-CIC Group. Based on an alignment of prudential rules to accounting regulations (CRC 2002-03), this definition draws a correlation between the Basel concept of default and the accounting notion of non-performing loans and loans in litigation. The computer applications take contagion into account, which also allows related loans to be downgraded. Controls carried out by the Internal Inspection unit and the Statutory Auditors ensure the reliability of the arrangements for identifying defaults used for calculating capital requirements.

VI.6.1.3 – Formalized monitoring framework for the internal rating system

The quality of the internal ratings system is monitored based on national procedures which detail the topics reviewed, the disclosure thresholds and the responsibilities of the participants. These documents are updated by the Risk Department from Crédit Mutuel's National Confederation as required in accordance with decisions that have been approved.

Reporting on the monitoring of mass rating models involves three main areas of study: stability, performance and various additional analyses. This reporting is carried out for each mass rating model on a quarterly basis and supplemented with half-year and annual controls and monitoring work, for which the levels of details are higher.

In terms of the expert grids, the system includes full annual monitoring based on performance tests (analysis of rating concentrations, transition matrices, correspondences with the external rating system), supplemented for key accounts and related structures with interim monitoring on a half-yearly basis.

The parameters used for calculating weighted risks are national and applied for all the Group's entities. Default probabilities are monitored annually before any new estimates of the regulatory parameter. Depending on the portfolios, this is supplemented with interim monitoring, on a half-yearly basis. The approach for monitoring the LGD (loss given default) and CCF (conversion factors from off-balance sheet to on-balance sheet equivalents) is annual and intended primarily to validate the values taken by these parameters for each segment. With regard to the loss given default, this validation is notably carried out by checking the robustness of the methods for calculating the prudential margins and comparing the LGD estimators with the latest data and actual results. For the CCF, validations are carried out by comparing the estimators with the latest CCF observed.

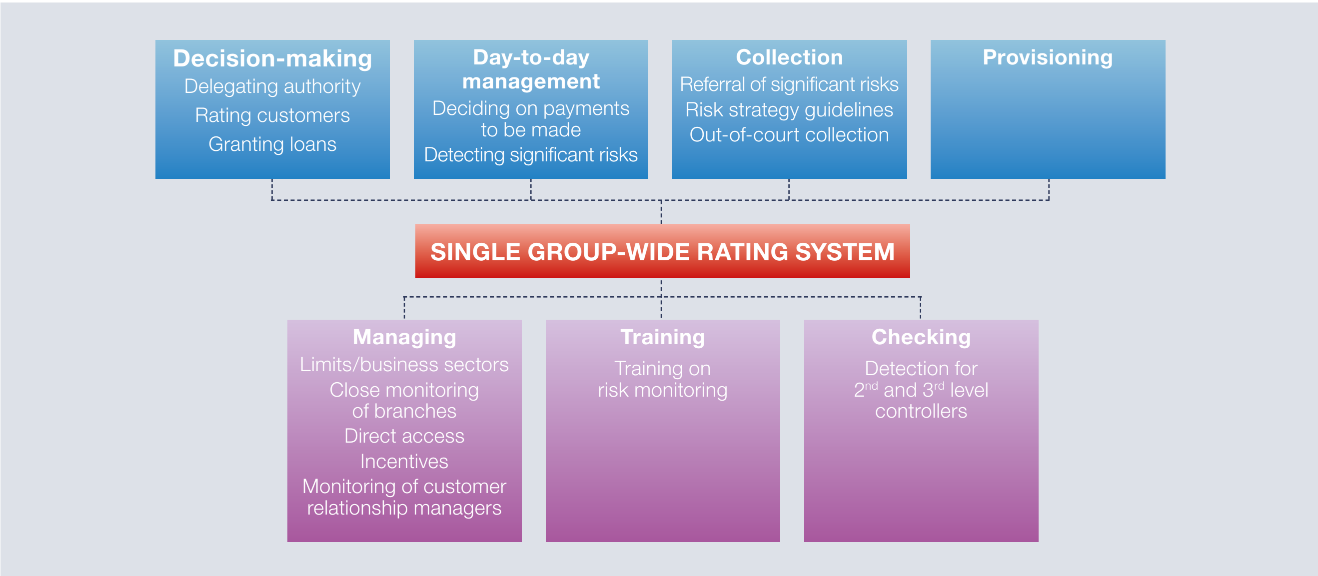
VI.6.1.4 – Internal rating system included within the control scope of permanent and periodic control

The Group's permanent control plan in relation to Basel 2 is based on two levels. At national level, permanent control is involved in validating new models and significant adjustments made to existing models on the one hand, and on the other, the permanent monitoring of the internal rating system (particularly the parameters). At regional level, it verifies the overall adoption of the internal rating system, as well as operational aspects linked to the production and calculation of ratings, the credit risk management procedures relating directly to the internal rating system, and data quality.

In terms of periodic control, the Group's inspection unit carries out an annual review of the internal rating system. A framework procedure defines the type of assignments to be carried out on an ongoing basis with the Basel 2 approach, as well as the breakdown of responsibilities between regional and national-level inspection bodies.

IV.6.1.5 – Operational integration of the internal rating system

Regional groups implement the national Basel 2 arrangements under specific conditions (make-up of committees, risk management procedures, etc.). In accordance with the regulations, the Basel 2 framework is put in place in the Group's various entities at all levels within the credit management function, as illustrated in the following diagram concerning the use of ratings:



The overall consistency of the arrangements is ensured by the following:
– national governance for the internal rating system;
– distribution of national procedures by Crédit Mutuel's National Confederation;
– exchanges of practices between the entities (during plenary meetings or bilateral CNCM/group or inter-group exchanges);
– adoption of two IT systems by virtually all the entities, structuring the Group's organization (same approach for applications nationally, possibility of common applications being used on a federationwide basis);
– national reporting tools, which check the consistency of practices in the regional groups;
– audits carried out by permanent control and confederal inspection.

These applications and assignments are intended to ensure regulatory compliance and a high level of convergence in terms of practices using the internal rating system. The methodological guidelines, progress made with the arrangements and the main consequences of the reform are regularly presented to all the Crédit Mutuel federations, as well as the subsidiaries and CIC banks.

IV.6.2 – Breakdown of risk exposure values by category

	December 31, 2012		December 31, 2011		Change 2012/2011	
In € billion	Value exposed to risk	Value adjustments [1]	Value exposed to risk	Value adjustments [1]	Value exposed to risk	Value adjustments [1]
Foundation internal ratings-based approach						
Credit institutions			32.2	0.0	- 32.2	0.0
Advanced internal ratings-based approach						
Institutions	32.2	0.0			32.2	0.0
Corporates	75.1	0.9			75.1	0.9
Retail customers						
Revolving	6.0	0.1	5.7	0.1	0.3	0.0
Residential real estate	92.7	0.6	82.3	0.5	10.4	0.1
Other	89.7	2.0	96.5	2.1	- 6.9	0.0
Total	**295.7**	**3.7**	**216.8**	**2.6**	**78.9**	**1.0**

1. These value adjustments are made in relation to individual provisions. Information concerning collective provisions is provided in the annual report.

IV.6.3 – Breakdown of risk exposure values based on an advanced internal rating approach by category and internal rating (excluding exposures at default)

Credit institutions and Corporates

In €m December 31, 2012	Credit quality step	Gross exposure	Exposure At Default (EAD)	Risk Weighted Assets	Risk Weight (RW) %	Expected Loss (EL)
Credit Institutions	1	2,733	2,730	198	7.2	
	2	14,915	14,862	379	2.6	0
	3	11,953	11,407	2,949	25.8	
	4	913	887	229	25.8	
	5	1,113	979	396	40.5	
	6	699	555	322	58.0	
	7	749	652	581	89.1	
	8	75	68	38	56.3	
	9	16	12	28	228.6	
Corporates - Large accounts	1	65	45	7	15.3	
	2	982	662	121	18.2	
	3	3,984	2,726	705	25.9	
	4	9,549	6,493	2,162	33.3	
	5	12,930	9,591	5,530	57.7	
	6	8,554	6,154	5,457	88.7	
	7	4,170	3,224	3,609	111.9	
	8	5,456	4,682	7,169	153.1	
	9	1,673	1,360	3,154	232.0	
Corporates - Excl. large accounts	1	1,790	1,638	249	15.2	0
	2	5,354	4,921	1,171	23.8	3
	3	5,973	5,550	1,873	33.7	8
	4	6,340	5,926	2,478	41.8	15
	5	7,102	6,592	3,250	49.3	31
	6	4,499	4,227	2,751	65.1	41
	7	2,642	2,491	2,009	80.6	42
	8	773	729	707	97.0	20
	9	442	411	405	98.6	19
Corporates under the IRB slotting approach		5,785	5,655	3,487	60.8	23

Retail - Individuals

In €m **December 31, 2012**	Credit quality step	Gross exposure	Exposure At Default (EAD)	Risk Weighted Assets	Risk Weight (RW) %	Expected Loss (EL)
Real estate	1	5,196	5,131	67	1.3	0
	2	27,144	26,856	418	1.6	1
	3	14,910	14,764	565	3.8	3
	4	13,305	13,190	1,006	7.6	6
	5	7,122	7,060	978	13.9	7
	6	3,286	3,208	776	24.2	8
	7	1,929	1,915	636	33.2	8
	8	2,033	2,025	919	45.4	16
	9	1,285	1,281	811	63.3	31
Revolving	1	306	127	1	0.8	0
	2	2,633	1,212	12	1.0	0
	3	2,462	1,260	30	2.4	0
	4	2,368	1,349	74	5.5	2
	5	1,117	698	84	12.0	2
	6	717	474	101	21.4	3
	7	344	245	83	33.9	3
	8	301	233	112	48.1	5
	9	138	117	92	78.6	7
Other loans	1	4,993	4,775	72	1.5	0
	2	20,772	20,099	343	1.7	1
	3	9,818	9,403	439	4.7	2
	4	7,642	7,338	680	9.3	4
	5	3,801	3,647	579	15.9	6
	6	2,895	2,396	472	19.7	10
	7	1,168	1,124	291	25.9	9
	8	1,012	989	281	28.5	14
	9	595	585	246	42.1	23

Retail - Other

In €m December 31, 2012	Credit quality step	Gross exposure	Exposure At Default (EAD)	Risk Weighted Assets	Risk Weight (RW) %	Expected Loss (EL)
Real estate	1	2,907	2,873	126	4.4	1
	2	4,009	3,973	309	7.8	2
	3	2,358	2,336	312	13.3	2
	4	1,820	1,795	351	19.5	3
	5	1,483	1,465	396	27.1	4
	6	1,084	1,073	385	35.9	5
	7	787	781	373	47.7	7
	8	570	567	324	57.2	8
	9	614	608	398	65.5	19
Revolving	1	79	39	1	2.9	0
	2	66	35	2	6.1	0
	3	35	20	2	10.8	0
	4	26	15	2	14.2	0
	5	18	11	2	21.4	0
	6	34	22	7	31.4	0
	7	17	12	5	43.9	0
	8	16	11	7	58.5	0
	9	13	10	8	82.1	1
Other loans	1	7,701	7,175	536	7.5	3
	2	7,761	7,354	845	11.5	6
	3	5,480	5,184	873	16.8	8
	4	4,510	4,231	892	21.1	13
	5	4,256	3,980	945	23.8	20
	6	2,883	2,688	691	25.7	24
	7	2,649	2,482	717	28.9	39
	8	1,584	1,508	532	35.3	39
	9	1,384	1,336	598	44.8	67

Retail - Individuals

In €m **December 31, 2011**	Credit quality step	Gross exposure	Exposure At Default (EAD)	Risk Weighted Assets	Risk Weight (RW) %	Expected Loss (EL)
Real estate	1	4,404	4,329	64	1.5	0
	2	23,557	23,241	394	1.7	1
	3	13,406	13,246	543	4.1	3
	4	12,243	12,117	960	7.9	6
	5	6,741	6,669	900	13.5	7
	6	2,994	2,924	709	24.3	8
	7	1,704	1,688	566	33.5	8
	8	1,704	1,694	749	44.2	14
	9	1,119	1,114	669	60.1	26
Revolving	1	271	116	1	0.8	0
	2	2,321	1,101	10	0.9	0
	3	2,230	1,173	23	2.0	0
	4	2,203	1,290	58	4.5	1
	5	1,065	684	65	9.6	2
	6	697	468	81	17.3	3
	7	330	237	66	27.7	3
	8	296	231	90	38.9	4
	9	144	121	76	62.6	6
Other loans	1	5,294	4,999	91	1.8	0
	2	22,651	21,848	422	1.9	1
	3	11,349	10,909	518	4.8	2
	4	9,195	8,843	804	9.1	5
	5	4,660	4,476	679	15.2	7
	6	3,311	2,805	507	18.1	11
	7	1,396	1,349	327	24.2	10
	8	1,162	1,139	300	26.3	15
	9	722	709	274	38.7	26

Retail - Other

In €m **December 31, 2011**	Credit quality step	Gross exposure	Exposure At Default (EAD)	Risk Weighted Assets	Risk Weight (RW) %	Expected Loss (EL)
Real estate	1	2,371	2,337	114	4.9	1
	2	3,435	3,398	267	7.9	2
	3	2,077	2,052	291	14.2	2
	4	1,646	1,621	362	22.3	4
	5	1,424	1,404	421	30.0	5
	6	1,057	1,045	369	35.3	5
	7	765	758	352	46.4	7
	8	552	549	302	55.0	8
	9	513	511	313	61.2	16
Revolving	1	67	34	1	2.3	0
	2	59	32	2	4.9	0
	3	30	17	2	8.9	0
	4	23	14	2	11.9	0
	5	19	12	2	17.0	0
	6	33	21	5	25.5	0
	7	16	11	4	35.3	0
	8	16	12	6	47.2	0
	9	12	10	6	65.2	1
Other loans	1	7,200	6,689	554	8.3	3
	2	7,526	7,105	841	11.8	6
	3	5,436	5,111	905	17.7	9
	4	4,540	4,238	926	21.9	15
	5	4,568	4,208	1,029	24.5	25
	6	3,105	2,868	736	25.7	27
	7	2,935	2,710	793	29.3	44
	8	1,746	1,625	581	35.7	44
	9	1,543	1,447	647	44.7	74

RWA refers to the risk weighted assets and EL the expected losses. Exposures at default are not included in the above table.

The LGD used for calculating the expected losses proposes an average cycle estimate, while the accounting information recorded concerns a given year. As a result, comparisons between ELs and losses are not relevant for a given year.

IV.7 – Counterparty risk for trading desks

The counterparty risk concerns derivative instruments and repo transactions from the banking and trading portfolios. These transactions are primarily covered by the CM-CIC Marchés business.

Within this framework, netting and collateral agreements have been set up with the main counterparties, limiting the counterparty risk exposure levels.

Counterparty risk	Value exposed to risk	
In € billions	Dec. 31, 2012	Dec. 31, 2011
Derivatives	9.8	4.8
Repurchase agreements	0.4	0.5
Total	**10.2**	**5.3**

IV.8 – Credit risk mitigation techniques

IV.8.1 – Netting and collateralization of repos and over-the-counter derivatives

When a framework agreement is entered into with a counterparty, the signatory entity nets the exposure with the latter. With credit institution counterparties, CM-CIC Marchés supplements these agreements with collateralization agreements (CSA).

The operational management of these contracts is based on the TriOptima platform.

Due to margin calls, in most cases daily, significantly reduce the residual net credit risk on over-the-counter derivatives and repos.

IV.8.2 – Description of the main categories of collateral taken into account by the institution

The Group uses guarantees in different ways when calculating weighted risks, depending on the type of borrower, the calculation method applied for the exposure covered and the type of guarantee.

For retail banking customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss given default, calculated statistically on all the Group's non-performing loans and loans in litigation.

For contracts concerning the "sovereign" and "institution" portfolios and, to some extent, the "corporate" portfolio, personal collateral and financial collateral are used as risk mitigation techniques, as defined by the regulations:

– Personal collateral corresponds to a commitment made by a third party to take the place of the primary debtor if the latter defaults. By extension, credit derivatives (acquisition of protection) are included in this category;

– Financial collateral is defined by the Group as a right for the institution to liquidate, retain or obtain the transfer of ownership of certain amounts or assets, such as pledged cash deposits, debt securities, equities or convertible bonds, gold, UCITS units, life insurance policies and instruments of all kinds issued by a third party and redeemable on request.

The guarantee's use is only effective if the guarantee is compliant with the legal and operational criteria set by the regulations.

Operational procedures describe the features of the guarantees used, the eligibility conditions, the operating principles and the resolution of alerts triggered in the event of non-compliance. Downstream processing operations for calculating weighted risks taking risk mitigation techniques into consideration are automated to a great extent.

IV.8.3 – Procedures applied for valuing and managing instruments comprising physical collateral

The valuation procedures for guarantees vary depending on the type of instrument comprising the physical collateral. For general cases, the studies carried out within the Group are based on statistical estimation methodologies, integrated directly into the applications, using external indices with potential discounts applied depending on the type of asset accepted as collateral. On an exceptional basis, specific procedures include provisions for expert valuations, particularly in cases when the limits set for outstandings are exceeded on transactions.

These procedures are drawn up at national level. The Group's entities are then responsible for managing operational aspects, monitoring valuations and activating guarantees.

IV.8.4 – Main categories of protection providers

With the exception of intra-group guarantees, the main categories of protection providers taken into account are mutual guarantee companies such as Crédit Logement.

IV.9 – Securitization

IV.9.1 – Objectives

In connection with capital markets activities, the Group carries out operations on the securitization market by taking up investment positions with three objectives: achieving returns, taking risks and diversifying. The risks primarily concern the credit risk on the underlying assets and the liquidity risk, particularly with changes to the European Central Bank's eligibility criteria.

The activity is exclusively an investor activity with senior or mezzanine tranches, which always have external ratings.

For specialized financing facilities, the Group supports its customers as a sponsor (arranger or co-arranger) or sometimes as an investor with the securitization of commercial loans. The conduit used is General Funding Ltd (GFL), which subscribes for the senior units in the securitization vehicle and issues commercial paper. The Group is primarily exposed to a credit risk on the portfolio of transferred loans, as well as a risk of the capital markets drying up. This conduit benefits from a liquidity line granted by the Group, which provides it with a guarantee for the placement of its commercial paper.

Irrespective of the business context, the Group is not an originator and may only marginally be considered as a sponsor. It does not invest in any resecuritizations.

IV.9.2 – Control and monitoring procedures for capital markets activities

Market risks on securitization positions are monitored by the risk and results control function, focusing on various areas, with day-to-day procedures making it possible to monitor changes in market risks. Each day, this function analyzes changes in the results of securitization strategies and explains them in relation to the risk factors. It monitors compliance with the limits defined by the set of rules.

The credit ratings of securitization tranches are also monitored on a daily basis through the monitoring of ratings from the external agencies Standard & Poors, Moody's and Fitch Ratings. The actions taken by these agencies (upgrades, downgrades or watches) are analyzed. In addition, a quarterly summary of rating changes is drawn up.

In connection with the procedure for managing counterparty limits, the following work is carried out: in-depth analysis of securitizations that have reached the level of delegation for Group commitments, analysis of certain sensitive securitizations (from the eurozone's peripheral countries or subject to significant downgrades). More specifically, these analyses are intended to assess the position's level of credit and the underlying asset's performances.

In addition, each securitization tranche, irrespective of the delegation level, is covered by a form. These forms incorporate the main characteristics of the tranche held, as well as the structure and the underlying portfolio. For securitizations issued from January 1, 2011, information on the underlying asset's performances has been added. This information is updated once a month. The branches' pre-sales documentation and the issue prospectuses are also recorded and made available with the forms, in addition to the investor reports for securitizations issued from January 1, 2011.

Lastly, the capital markets activities have an application for measuring the impact of various scenarios on the positions (notably changes in prepayments, defaults and recovery rates).

IV.9.3 – Credit risk hedging policies

The credit markets activities traditionally buy securities. Nevertheless, purchases of credit default swaps for hedging may be authorized and, as applicable, are governed by the capital markets procedures.

IV.9.4 – Prudential methods and approaches

The entities included within the scope for approval of the credit risk internal rating approach apply the method based on the ratings. Otherwise, the standard approach is retained. The regulatory formula method is used exclusively for the capital markets activities' correlation portfolio.

IV.9.5 – Accounting principles and methods

Securitization securities are recognized in the same way as other debt securities, i.e. depending on their accounting classification. The accounting principles and methods are presented in Note 1 to the financial statements.

IV.9.6 – Exposure by type of securitization

IV.9.6.1 – Securitization by category

December 31, 2012				
EAD in € billions	Banking portfolio		Trading portfolio	Correlation portfolio
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Investor				
Traditional securitization	0.3	3.5	1.8	0.8
Synthetic securitization				
Traditional resecuritization				
Synthetic resecuritization				
Sponsor		0.3		
Total	**0.3**	**3.8**	**1.8**	**0.8**

December 31, 2011				
EAD in € billions	Banking portfolio		Trading portfolio	Correlation portfolio
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Investor				
Traditional securitization	0.5	4.4	2.0	
Synthetic securitization				1.3
Traditional resecuritization				
Synthetic resecuritization				
Sponsor		0.3		
Total	**0.5**	**4.7**	**2.0**	**1.3**

IV.9.6.2 – Detailed breakdown of outstandings by credit rating

December 31, 2012				
EAD in € billions	Banking portfolio		Trading portfolio	Correlation portfolio
Credit quality step	**Standardized approach**	**Internal ratings-based approach**	**Internal ratings-based approach**	**Internal ratings-based approach**
E1	0.1	0.6	1.7	
E2		1.3		
E3		0.1		
E4		0.2		
E5		0.1		
E6	0.1	0.1	0.1	
E7		0.0		
E8		0.2		
E9	0.1	0.0		
E10		0.0		
E11		0.0		
Positions weighted at 1250%	0.0	1.2		
Total	**0.3**	**3.8**	**1.8**	**0.8**

December 31, 2011				
EAD in € billions	Banking portfolio		Trading portfolio	Correlation portfolio
Credit quality step	**Standardized approach**	**Internal ratings-based approach**	**Internal ratings-based approach**	**Internal ratings-based approach**
E1	0.3	1.5	1.8	
E2		1.4	0.1	
E3		0.0	0.0	
E4		0.3	0.0	
E5		0.0		
E6	0.1	0.1		
E7		0.1		
E8	0.0	0.4		
E9	0.1	0.0	0.0	
E10		0.0	0.1	
E11				
Positions weighted at 1250%	0.0	0.9	0.0	
Total	**0.5**	**4.7**	**2.0**	**1.3**

IV.9.6.3 – Capital requirements

December 31, 2012				
Capital requirements In € billions	Banking portfolio		Trading portfolio	Correlation portfolio
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Total	**0.0**	**0.8**	**0.1**	**0.0**

December 31, 2011				
Capital requirements In € billions	Banking portfolio		Trading portfolio	Correlation portfolio
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Total	**0.0**	**1.0**	**0.1**	**0.1**

The external agencies used are Standard & Poor's, Moody's and Fitch Ratings.

IV.10 – Operational risks

The elements relating to the assessment of capital requirements in terms of operational risk are presented in the "Risk Management" section.

This report also satisfies the disclosure requirements in terms of the policy and arrangements put in place on the one hand, and on the other, the type of systems for declaring and measuring risks.

IV.10.1 – Description of the AMA method

In connection with the implementation of the advanced measurement approach (AMA) for assessing capital requirements in terms of operational risks, these risks are managed by a dedicated independent function. The operational risk control and measurement procedure is based on the risk mapping carried out for each business line and each type of risk, liaising closely with the functional departments and the day-to-day risk management measures. More specifically, these define a standard framework for analyzing the loss experience and lead to modeling based on expert opinions compared with scenario-based probabilistic estimates.

For modeling purposes, the Group relies mainly on the national database of internal losses. This application is populated in line with the national collection procedure, which sets a standard limit of €1,000 above which each loss must be entered and which defines the framework for reconciliations between the loss base and the accounting information.

In addition, the Group has a subscription to an external database which is used in line with long-term procedures, as well as the methodologies for integrating this data into the operational risk measurement and analysis system.

The Group's general steering and reporting system incorporates the requirements of CRBF 97-02. The executive body is informed of operational risk exposures and losses on a regular basis and at least once a year.

The Group's procedures relating to governance, loss collection, risk measurement and management systems enable it to take appropriate remedial action. These procedures are subject to regular controls.

IV.10.2 – Scope for approval with the AMA method

The Group is authorized to use its advanced measurement approach to calculate its capital adequacy requirements in respect of operational risk, with the exception of the deduction of expected losses from its capital adequacy requirements. This authorization came into effect on January 1, 2010 for the consolidated group excluding foreign subsidiaries and the Cofidis group, and was extended to include CM-CIC Factor from January 1, 2012.

IV.10.3 – Operational risk mitigation and hedging policy

Operational risk mitigation techniques include:

– preventative actions identified during the mapping process and implemented directly by operational or permanent control staff;

– safeguard initiatives, which focus on the widespread implementation of disaster recovery plans, classified into two categories: business-specific disaster recovery plans, which relate to a given banking function that is associated with one of the business lines identified in accordance with Basel, and cross-functional disaster recovery plans, which relate to activities that constitute business support services (logistics, HR and IT issues).

The disaster recovery plans can be split into three components:

– emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;

– business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures;
– back-on-track plan.

A long-term national procedure sets out the methodology for drawing up a disaster recovery plan. This represents a reference document that may be consulted by all the teams concerned by the disaster recovery plans. It is applied by all the regional groups.

IV.10.4 – Use of insurance techniques

The French Prudential Supervisory Authority has authorized the Group to take into account the deduction of insurance as a factor for reducing capital requirements in terms of operational risk based on an advanced measurement approach, with effective application for the period ended June 30, 2012.

The principles applied for operational risk financing within the Group depend on the frequency and severity of each potential risk, and involve:
– setting up insurance cover or financing by withholding amounts on the operating account for nonsevere frequency risks;
– taking out insurance for insurable serious or major risks;
– developing self-insurance for losses below insurers' excess levels;
– allocating reserves of regulatory capital or provisions financed through underlying assets for serious risks that cannot be insured.

The Group's insurance programs are compliant with the provisions of Articles 371 – 1 to 3 of the French Decree of February 20, 2007 concerning the deduction of insurance with the AMA method.

The insurance included in the deduction process covers damage to real and personal property (multi-risk), specific banking risks and fraud, as well as professional third-party liability.

IV.11 – Equities

Value exposed to risk		
In € billions	Dec. 31, 2012	Dec. 31, 2011
Equities	**2.9**	**3.2**
Internal ratings-based approach		
Private equity (190%)	1.5	1.5
Exposure to listed equities (290%)	0.5	0.9
Other exposures to equities (370%)	0.6	0.4
Standardized approach		
Equities under standardized approach weighted at 150%	0.4	0.5
Investments deducted from capital	**- 7.4**	**- 6.1**
Total amount of unrealized gains and losses included in Tier 1 capital	**0.0**	**0.0**

The equity investments deducted from the capital primarily concern equity investments in associate credit institutions or insurance companies.

The private equity business is split between the private equity line, with an internal ratings approach for leveraged transactions, and the equities line, with a standard approach in other cases.

IV.12 – Banking portfolio interest rate risk

These risks are calculated on the trading portfolio. In the vast majority of cases, they result from the CM-CIC Marchés activities for interest rate and equities risks.

The counterparty risks for derivatives and repo transactions are covered in the "counterparty risks" section.

In € millions		
Capital requirements in respect of market risks	**Dec. 31, 2012**	**Dec. 31, 2011**
Specific interest rate risk (excl. securitization and correlation portfolios)	72	89
Specific interest rate risk – securitization and correlation portfolios	73	122
General interest rate risk	76	86
Equity price risk	64	83
Currency risk		
Commodity risk	0	
Total capital requirements	**285**	**381**

V. FINANCIAL INFORMATION
ABOUT BFCM GROUP

V.1 – BFCM Group's key figures

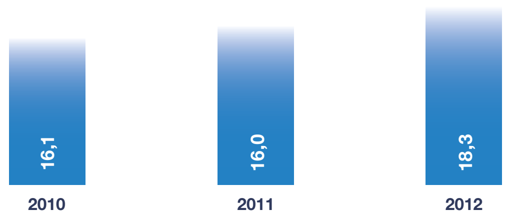
The 2011 figures take into account IAS19-R and the accounting restatement of the investment in Banco Popular Español.

	2012	2011	2010
Net banking income	8,159	7,740	8,481
Operating income	2,057	1,503	2,356
Net income	1,200	1,086	1,751
Net income attributable to the group	930	852	1,405
Cost-to-income ratio[1]	63%	63%	58%

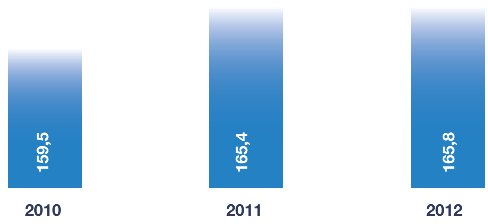
1. Ratio of overheads to net banking income.

Total assets (€ billions)

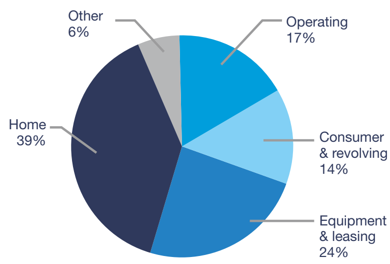
Shareholder's equity and deeply subordinated securities (€ billions)



Net customer loans (€ billions)

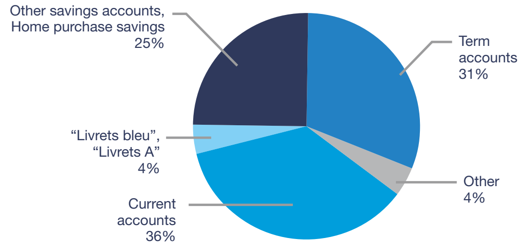


2012 structure of net loans

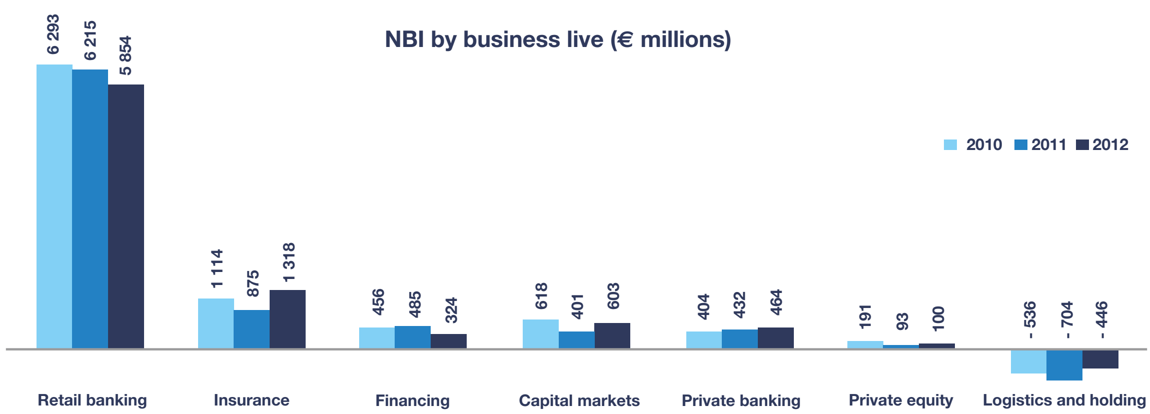


Customer deposits (€ billions)
excluding SFEF

2012 structure of bank deposits



NBI by business live (€ millions)



V.2 – BFCM Group Management Report

V2.1 – A year of sharp ups and downs

As in 2011, the question of sovereign debt led to alternating bouts of lost confidence and renewed risk appetite. At the beginning of the year, long-term refinancing operations (LTRO) carried out by the European Central Bank (ECB) in support of euro zone banks gave rise to the feeling that the problem had been resolved. However, doubts surrounding Spain and Italy's public finances and the absence of any lasting solution for Greece led to increased strains on interest rates and gave rise to fears that the euro zone might collapse. The ECB was forced to intervene during the summer by adopting the role of lender of last resort. This decision, combined with the provision of substantial amounts of liquidity by the other major central banks, eventually allowed optimism to win through, thus giving the backseat to the tough austerity drive that has sharply reduced domestic demand, curbed international trade and increasingly sapped growth in the United States and emerging countries.

Europe: a roller coaster ride

The crisis passed through three distinct phases. In the first one, the refinancing operations undertaken by the ECB at the end of 2011 clearly relieved tensions: Spanish and Italian banks used the borrowed funds to buy up their countries' sovereign debt on a massive scale. In the spring, however, the call for private sector creditors to take part in the haircut on Greek debt, together with governments' failure to meet their deficit reduction objectives, led to investors drastically reducing their exposure to the euro. With capital taking flight and sovereign bond rates soaring, many feared the worst. Finally, the ECB's announcement of the launch of "Outright Monetary Transactions" (OMT) attenuated systemic risk without exposing political leaders to moral hazard. By making OMTs conditional on the prior existence of a partial assistance agreement with the European Stability Mechanism (ESM), which requires approval by the ESM's board of governors, the ECB effectively avoided signing a blank check for countries in difficulty.

While this action may have saved the euro zone, it did not solve the question of how to reactivate GDP growth, nor was it intended to. The deleveraging phase that started two years ago will continue to weigh down on growth prospects for several more years. Following a 2012 marked by recession, 2013 is likely to see near-stagnation. Internal demand will remain heavily subdued, and sources of activity will have to be sought beyond the frontiers of Europe. For several quarters now, European economies have been kept afloat only by exports, and this will continue in 2013. This underlines the importance of bolstering gains in competitiveness in order to lock in improvements in the balance of trade. The continuing flatness of the economy has added fuel to the debate on whether austerity measures should be eased by deferring public deficit targets by one or two years, depending on the country, to take account of the short-term economic situation.

The outlook might brighten slightly if improvement is seen in the first quarter. Institutional developments were also far-reaching. The ESM is now fully operational and strengthened by the ECB's commitment. Oversight mechanisms came into operation, with more exhaustive controls on imbalances and ever stricter recommendations from the EU authorities. Another particularly important logjam was cleared - that of the banking union, which will consolidate the European structure.

United States: ever tougher budget negotiations

The US started 2012 on an upbeat note, which gradually faded as a result of the worldwide slowdown caused by the difficulties in Europe and the impossibility of compromise between Republicans and Democrats on budget issues.

Since they share power in Congress, the two parties had agreed to defer all budget decisions to 2013 - this with an eye on the November 2012 elections, which they hoped would give them a mandate to negotiate. Since the electorate in effect opted to maintain the status quo, the fog has not cleared. An eleventh-hour partial agreement reached on January 1, 2013, while in fact dealing only with the revenue side of the equation, nonetheless avoided the "fiscal cliff" that would have plunged the US into recession. However, the compromise needed to agree on spending cuts by the end of February remained doggedly elusive. In this situation, economic agents preferred to adopt a cautious stance. Despite the uptick in the early part of the year, uncertainty returned in the second half, leading businesses to cut back on capital expenditure and hiring. The effect took longer to work through to households, whose spirits were lifted by the rebound in real estate, but consumption will likely continue to suffer for several more months.

While waiting for the politicians to finally set the pace and methods for reducing the gap in the budget, the Federal Reserve continued to make available all necessary resources to reduce its negative impact. It launched a new mortgage-backed securities purchasing program to support and extend the reactivation of the real estate sector, which is an important job creator. It further eased its monetary policy by replacing "Operation Twist" (exchanging short-term Treasury securities for longer-term ones), which expired in 2012, with net purchases for an additional $45 billion per month. This highly accommodative strategy will be maintained until the unemployment rate stabilizes below 6.5%, which will not be before 2014.

Emerging markets: growth is slowly being whittled away

Faced with slackening external demand, emerging countries were obliged to take additional measures to support economic activity. Virtually all their central banks (with the notable exception of Russia's) eased their policies in order to favor capital expenditure and avoid excessive appreciation of their currencies. Governments also continued or accelerated their stimulus plans in order to boost domestic consumption and thus further reduce their dependence on external demand as the driver of economic growth.

With the pace of expansion currently in a stabilization phase, emerging economies partly dispelled the doubts surrounding their solidity. This was particularly so in the case of China, which is in full transition. The Chinese authorities managed to hold GDP growth above 7%, the threshold needed to ensure social stability. They have adopted a stimulus plan that is less far-reaching than that of 2008/09, but more finely targeted at achieving gradual deflation of the real estate bubble. Growth should resume its upward trend in 2013, having apparently bottomed out, which is also the case in Brazil.

Overall, progress in terms of European structure, together with expansionist monetary strategies, allowed global growth to consolidate at a moderate but acceptable level. Growth in 2013 is likely to be limited while new public spending practices are being implanted, but we shall probably see a clearer uptick in 2014.

V.2.2 – Key financial points relating to the consolidated financial statements of Banque Fédérative du Crédit Mutuel

Pursuant to regulation (EC) 1606/2002 on the application of international accounting standards and regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the financial year have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2012. These standards include IAS 1 to 41, IFRS 1 to 8 and any SIC and IFRIC interpretations adopted at that date. Standards not adopted by the European Union have not been applied. The financial statements are presented in accordance with CNC recommendation 2009-R.04.

All IAS and IFRS were updated on November 3, 2008 by regulation 1126/2008, which replaced regulation 1725/2003. The entire framework of standards is available on the European Commission's website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The information on risk management required by IFRS 7 is shown in a specific chapter of the management report.

IAS 19R on employee benefits published in the Official Journal of the European Union dated June 5, 2012, application of which is mandatory as from January 1, 2013, has been applied early as from January 1, 2012. The impact of this first-time application is explained in the notes to the consolidated financial statements.

Note: The table of new accounting standards applied as from January 1, 2012 is presented in Note 1.1 to the consolidated financial statements.

V.2.2.1 – Scope of consolidation

The general principles for the inclusion of an entity in the consolidation scope are defined in IAS 27, IAS 28 and IAS 31. The consolidation scope comprises entities under exclusive control, entities under joint control and entities over which the Group exercises significant influence.

Note: definitions of the various types of control and influence are presented in Note 1.2 to the consolidated financial statements.

Shareholdings owned by private equity companies over which joint control or significant influence is exercised are excluded from the scope of consolidation and their value is accounted for under the fair value option.

V.2.2.2 – Changes in consolidation scope

Changes in the scope of consolidation as of December 31, 2012 were as follows:

Additions to the scope of consolidation

– Banking network and network subsidiaries: Banco Popular Español, BECM Monaco.
– Insurance companies: Agrupacio AMCI, AMSYR, AMDIF, Assistencia Advancada Barcelona, Agrupacio Bankpyme Pensiones, Agrupacio Serveis Administratius, ACM RE.
– Other companies: Est Info TV, Lafayette CLO, GEIE Synergie.

Mergers / acquisitions

Euro Protection Services with Euro Protection Surveillance; Laviolette Financement with Factocic; Procourtage with Atlancourtage; Pasche International Holding with Pasche Finance; SEHPL with EBRA; RL Voyages with GRLC; Cime et Mag with Les Editions de l'Echiquier; Sofiliest et Publicité Moderne with l'Est Républicain; Alsatic with AMP; Europe Régie, AME, SCI Roseau and SCI Ecriture with SFEJIC.

Removals from the scope of consolidation

Cofidis Romania; Pasche Fund Management Ltd; Pasche SA Montevideo; Serficom Investment Consulting (Shanghai) Ltd; Serficom Maroc Sarl; A Télé.

V.2.3 – BFCM Group activity and results

V.2.3.1 – Analysis of the consolidated statement of financial position

The total IFRS consolidated statement of financial position of BFCM Group was €397.2 billion compared to €382.4 billion in 2011 (+ 3.9%).

Financial liabilities measured at fair value through profit or loss amounted to €31.0 billion in 2012, compared to €30.9 billion in 2011. Those financial liabilities were mainly derivatives and other financial trading liabilities, as well as amounts due to credit institutions and measured at fair value through profit or loss.

The other liabilities due to credit institutions came to €34.5 billion compared to €49.1 billion in 2011 (- 29.8%).

Issues of securities other than those measured at fair value through profit or loss totaled €93.5 billion compared to €86.7 billion in 2011 (+ 7.9%). Interbank securities and negotiable debt securities accounted for the bulk of these, with an outstanding amount of €49.5 billion, followed by bond loans (€43.8 billion). The balance comprised short-term notes and various other securities.

The item "Due to customers" on the liabilities side of the statement of financial position is made up of customer savings deposits, including accrued interest. These deposits increased by 10.3% to €134.9 billion in 2012 [1], confirming the significant recovery of savings-

1. Customer deposits excluding SFEF (2.9 billion).

related inflows. The contribution of CIC entities alone represented 80% of this total, i.e. €107.9 billion, whereas Targobank Germany contributed 7.8% (€10.6 billion), Cofidis Group €0.7 billion and Targobank Spain €0.8 billion.

Technical reserves of insurance companies, representing liabilities to policyholders, came to €62.1 billion (+ 11.1%), of which €55.0 billion comprised customer savings entrusted to the life insurance companies of Groupe Assurances du Crédit Mutuel (GACM).

The non-controlling interests shown as liabilities (€3.3 billion at the end of 2012) mainly related to other Crédit Mutuel companies' shareholdings in Groupe des Assurances du Crédit Mutuel (GACM, of which they own 28% of the capital), external shareholders within CIC (7% of capital) and the outside shareholders of the Cofidis Group (57% of the capital).

On the assets side, interbank investments increased by 7.0% between 2011 and 2012 to €70.7 billion.

Total loans and receivables due from customers rose from €165.4 billion to €165.8 billion (+0.3%) in 2012.

Nearly 80% of all loans are granted through CIC entities (132.9 billion). The loan portfolio of BECM represents 6% of total loans outstanding (€10.4 billion), followed by Targobank Germany (10.1 billion), Cofidis Group (7.7 billion), Targobank Spain (nearly 1 billion) and Banque Casino (0.3 billion).

Financial instruments measured at fair value through profit or loss came to €43.1 billion compared to €36.9 billion in 2011.

Goodwill on the assets side (totaling €4.2 billion) resulted mainly from the acquisition of Targobank Germany securities in December 2008 (€2.8 billion), the acquisition of a €0.4 billion stake in the Cofidis Group at the beginning of March 2009, CIC securities (residual goodwill of €506 million) and Targobank Spain securities for €183 million.

V.2.3.2 – Analysis of the consolidated income statement

Net banking income rose from €7.740[1] billion in 2011 to €8.159 billion at December 31, 2012.

General and administrative expenses totaled €5.1 billion compared to 4.9 billion. The changes in tax and social security regulations (doubling of tax for systemic risks, increase in the "forfait social" corporate contribution) represented more than one-third of this increase. However, they remained under control, increasing by just 1.6% in 2012 excluding these external factors.

Net additions to/reversals of provisions for loan losses fell by €374 million to €962 million, 30 million of which was from the sale on the markets of Greek sovereign securities in the first quarter of 2012. In 2011, the Group recorded an expense of €451 million on these bonds. The net provisioning for known risks (excluding collective provisions) in relation to outstanding loans fell from 0.53% to 0.50% and the overall non-performing loans provisioning ratio was 67.71% at December 31, 2012.

The Group reported net income of €1.2 billion, compared to €1.086 billion in 2011.

The financial soundness of Banque Fédérative du Crédit Mutuel was confirmed by three rating agencies, which maintained its long-term rating at the same level throughout 2012.

V.2.3.3 – Breakdown by activity

BFCM Group's business segments reflect its organizational structure, which is presented in detail in this document. The reader may also refer to Note 2 to the financial statements "Detailed analysis of the income statement by activity and by geographic area", as well as Note 3 "Composition of the scope of consolidation", which presents the selected groupings.

V.2.3.3.1 – Retail banking

Retail banking is the core business of BFCM Group. It comprises the Banque Européenne du Crédit Mutuel, the CIC network, CIC Iberbanco, the Targobank branches in Germany and Spain, the Cofidis Group, Banque Casino and all specialized activities for which the networks handle product marketing, such as equipment leasing and leasing with purchase option, real estate leasing, vendor credit, factoring, fund management and employee savings.

All these activities performed well in 2012. Deposit-taking, already strong in 2011, increased by 9.1%. Outstanding loans also increased, but at a slower pace (+ 1.6%).

In € millions	2012	2011	2011 revised[1]	Change[2]
Net banking income	5,854	6,214	6,214	- 6,3%
Operating expenses	(3,748)	(3,679)	(3,642)	+ 2,2%
Operating income before provisions	2,106	2,535	2,573	- 18,3%
Income before tax	1,243	1,785	1,849	- 32,4%
Net income	787	1,192	1,243	- 36,4%

1. After taking into account IAS 19 revised standard and correction of the recognition of the investment in Banco Popular Español according to IAS 8.
2. Change on a comparable period and consolidation scope basis compared to 2011 revised.

Net banking income of retail banking was €5.854 billion compared to €6.214 billion in 2011. The main contributors were the CIC (2.897 billion), Targobank Germany (€1.298 billion) and Cofidis Group (€1.067 billion) banking networks.

This decline was linked to the erosion in the intermediation margin resulting from high regulated savings rates and the increase in refinancing costs on the markets (gradual extension of loan terms).

General and administrative expenses rose from €3.642 billion in 2011 to €3.748 billion.

Net additions to/reversals of provisions for loan losses totaled €774 million compared to 781 million in 2011, which confirmed strong risk management, particularly in the consumer credit activities at Cofidis and Targobank Germany.

Net income was therefore €787 million compared to 1.243 billion.

1. After taking into account IAS 19 revised standard and correction of the recognition of the investment in Banco Popular Español according to IAS8.

V.2.3.3.2 – Insurance

BFCM Group expanded its insurance activities through the subsidiaries of the Groupe des Assurances du Crédit Mutuel (GACM) holding company, including in particular ACM Vie SA, Serenis Vie, ACM IARD, Serenis Assurances, Partners Assurances in Belgium and ICM Life in Luxembourg. The GACM companies do business in life and non-life insurance, insurance brokerage and reinsurance. The network handles product marketing.

In € millions	2012	2011 [3]	Change
Net banking income	1,318	875	+ 50.5%
Operating expenses	(335)	(332)	+ 0.9%
Operating income before provisions	983	544	+ 80.8%
Income before tax	942	587	+ 60.4%
Net income	568	414	+ 37.2%

3. Non-material impact of IAS 19 revised standard.

Consolidated insurance revenue increased by 0.9% to €7.9 billion compared to 2011: - 2.2% for life insurance, + 3.4% for personal insurance, + 7.7% for automobile insurance and + 8.8% for home insurance.

Net premium income totaled €1.318 billion at December 31, 2012 compared to €875 million, after remittances to the retail networks totaling €1.060 billion. Net income was €568 million, compared to €414 million in 2011, despite a higher tax burden.

V.2.3.3.3 – Corporate banking

Corporate banking includes the financing of large corporates and institutional clients, value-added financing (project and asset financing, export financing, etc.), international activities and foreign branches.

In terms of assets under management, and in a difficult economic environment marked by a slowdown in operations, credit declined by 15.8% to €13.1 billion while deposits increased significantly by 25.9% to €5.6 billion.

In € millions	2012	2011 [3]	Change
Net banking income	324	485	- 33.1%
Operating expenses	(92)	(83)	+ 11.0%
Operating income before provisions	232	401	- 42.3%
Income before tax	171	369	- 53.7%
Net income	131	240	- 45.6%

3. Non-material impact of IAS 19 revised standard.

Net banking income was €324 million (485 million in 2011) as a result of a reduction in margins following customer deposit-taking efforts and better asset-liability duration matching. Additions to/reversals of provisions for loan losses increased from €28 million to €61 million. However, actual net provisioning for known risks (excluding collective provisions) remained stable at €49 million. Net income therefore amounted to €131 million, compared to €240 million at the end of 2011.

V.2.3.3.4 – Capital markets

BFCM and CIC have consolidated their capital markets activities under one roof, “CM-CIC Marchés”. CM-CIC Marchés carries out the CM11-CIC refinancing and commercial and investment activities from offices in Paris and Strasbourg, as well as through branches in New York, London, Frankfurt and Singapore.

These transactions are recognized on two balance sheets:

– that of BFCM for the refinancing business line,
– and that of CIC for the commercial and investment activities in fixed income products, equities and credit.

The capital markets activities also include stock market intermediation, which is provided by CM-CIC Securities.

In € millions	2012	2011 [1]	Change
Net banking income	603	401	+ 50.4%
Operating expenses	(196)	(173)	+ 13.4%
Operating income before provisions	407	228	+ 78.5%
Income before tax	383	112	+ 241.9%
Net income	230	61	+ 277.0%

1. Non-material impact of IAS 19 revised standard.

At December 31, 2012, net banking income was more than €603 million (€401 million in 2011). General and administrative expenses increased by more than €23 million (+ 13.4%), mainly as a result of changes in tax and social security regulations. Net additions to/reversals of provisions for loan losses, which in 2011 included the cost of provisions for Greek debt, fell by €92 million to €24.5 million. Net income amounted to €230 million (61 million at the end of 2011).

V.2.3.3.5 – Private banking

The private banking segment develops know-how in financial and wealth management, which is offered to the families of business owners and private investors.

The companies in this segment operate in France through CIC Banque Transatlantique and Dubly-Douilhet SA as well as abroad through the subsidiaries Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium, CIC – Banque Pasche and the CIC Singapore branch.

In € millions	2012	2011 [1]	Change
Net banking income	464	431	+ 7.4%
Operating expenses	(334)	(317)	+ 5.6%
Operating income before provisions	129	115	+ 12.4%
Income before tax	106	85	+ 24.6%
Net income	79	68	+ 16.9%

1. Non-material impact of IAS 19 revised standard.

The business line manages €15.8 billion in deposits (+7.8%) and 7.5 billion in credit, generating an €8.2 billion surplus of resources available to BFCM Group. Savings under management amounted to €81.7 billion.

Net banking income increased by 7.4% to €464 million thanks to strong net interest income, which offset the decline in commissions. Net additions to/reversals of provisions for loan losses, still impacted by Greek sovereign debt remaining in the first half of 2012, fell by nearly €14 million to €28.8 million. Net income increased by nearly 16.9% to €79 million.

V.2.3.3.6 – Private equity

Private equity is a key pillar of the commercial strategy, enabling us to support efforts to bolster the shareholders' equity of BFCM Group's corporate clients over medium- and long-term periods (7 to 8 years). This business line is operated by CM-CIC Capital Finance which is based in France and has offices in Lyon, Nantes, Lille, Bordeaux and Strasbourg to ensure close ties with clients. At December 31, 2012, the portfolio included 497 equity investments and some investment funds.

In € millions	2012	2011 [1]	Change
Net banking income	100	93	+ 7.6%
Operating expenses	(34)	(34)	+ 1.4%
Operating income before provisions	66	59	+ 11.1%
Income before tax	66	59	+ 10.9%
Net income	67	57	+ 18.0%

1. Non-material impact of IAS 19 revised standard.

The segment saw a slight reduction in demand from business owners seeking to implement projects. The division invested €199 million. 83% of assets under management (€1.650 billion) are in unlisted securities.

Net banking income amounted to €100 million at the end of 2012, compared to €93 million in 2011, and net income was €67 million (+ 18%).

V.2.3.3.7 – Logistics

In € millions	2012	2011 [1]	Change
Net banking income	314	289	+ 8.3%
Operating expenses	(342)	(276)	+ 23.8%
Operating income before provisions	(28)	13	- 310.8%
Income before tax	(3)	25	- 112.0%
Net income	(5)	15	- 129.9%

1. Non-material impact of IAS 19 revised standard.

This division includes purely logistical entities: the Targobank Germany and Cofidis logistics subsidiaries as well as the media division.

The net banking income of this activity amounted to €314 million (compared to 289 million at the end of 2011) and includes the net banking income of the Targobank Germany and Cofidis logistics subsidiaries, as well as the trading margin of the press division. It had a negative net income of €5 million at the end of 2012, compared to a surplus of 15 million at the end of 2011.

V.2.3.3.8 – Holding company

The Holding company, which has no operational activities, oversees and coordinates the activities of the subsidiaries.

At December 31, 2012, this activity had a negative net banking income of €760 million and a negative income of €658 million. These figures include the cost of refinancing Targobank Germany, the shortfall in working capital of BFCM, Targobank and Cofidis goodwill amortization, the CIC business development plans and the impairment of the equity interest in BPM.

V.3 – Recent developments and outlook

The economic situation is uncertain. In France and elsewhere in Europe, structural reforms may take a back seat due to the lack of room to maneuver. Barring extraordinary events related, in particular, to elections in several countries, 2013 should be similar to 2012.

Our business will be very sensitive to the uncertainty governing the economic outlook.

V.4 – Risk report

This section sets out the information required by IFRS 7 regarding risk exposures arising from financial instruments.

The figures provided in this section have been audited, except for those specifically marked with an asterisk(*), which have been checked for accuracy and consistency as stipulated in Article L.823-10 of the French Commercial Code, as has the rest of the board of directors' report.

Periodic and permanent control functions and a compliance function provide strict oversight of processes across all business activities.

The risk management department consolidates overall risk control and optimizes risk management with respect to the regulatory capital allocated to each business and return on equity.

V.4.1 – Credit risk

V.4.1.1 – Organization of the lending unit

In accordance with applicable regulations, the lending unit is organized mainly around the two following mechanisms:
– loan origination procedures; and
– risk assessment, the monitoring of commitments and management of at-risk items.

The lending unit and exposure management are organized based on a single set of guidelines that prescribes the rules and practices applicable within the Group.

V.4.1.1.1 – Loan origination procedures

Loan origination is based on know-your-customer, risk assessment and commitment decision procedures.

Know-your-customer

The Group relies on the close ties it has established in the communities in which it operates as the basis for obtaining information about existing and prospective customers, which the Group places into several risk-based categories that help determine the targeting of marketing efforts. A loan file is prepared to support the loan origination process.

Risk assessment

Risk assessment is based on several analyses performed at different stages in the lending cycle including, in particular:
– customer ratings;
– risk groups; and
– the weighting of products in accordance with the type of risk involved and collateral and guarantees pledged.

The relevant Group employees receive periodic training on risk management and assessment.

Customer ratings: a single system for the entire Group

In accordance with the applicable regulations, the Group's internal customer rating system is at the core of the Group's credit risk procedures, which is used in determining approval, payment, pricing and monitoring. All loan origination decisions are based on the counterparty's rating. The lending unit approves the internal ratings of all loan files for whch it is responsible.The Group has developed rating algorithms and expert models to improve its credit risk assessment and to comply with the regulatory requirements concerning approaches to internal rating.

This rating system is common to the entire Crédit Mutuel Group.

The Confédération Nationale du Crédit Mutuel (CNCM) is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and application acceptance tests.

The group's counterparties that are eligible for internal assessment are rated by a single system.

Models (algorithms or grids) are used to differentiate and correctly classify risk. The assessment scale reflects the manner in which the risk changes and is broken down into nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and three default positions (E-, E= and F).

Monitoring of the rating models focuses on three aspects: stability assessment, performance and additional analyses. CNCM is responsible for this monitoring, which covers each rating model.

Risk groups (counterparties)

Individuals or legal entities that are related in such a way that if one of them encounters financial problems it is likely that the others will follow are considered as a single beneficiary.

The risk groups are established based on a procedure that incorporates the provisions of Article 3 of CRBF regulation 93-05.

Product and guarantee weightings

When assessing the counterparty risk, the Group may apply a weighting of the nominal commitment, based on a combination of the loan type and the nature of the guarantee.

Loan origination process

The loan origination process is essentially based on:

– a formalized risk analysis of the counterparty;

– the internal rating applied to the counterparty or group of counterparties;

– whether the loan falls below the relevant cap;

– review of the loan file by a separate team under the Group's dual review principle;

– whether the loan falls within maximum discretionary lending limits that have been determined in proportion to the local lending bank's equity;

– whether the interest rate and other fees are adapted to the risk profile of the loan and capital consumption.

The Group uses an automated decision-making circuit is automated conducted in real-time. Immediately upon completion of a loan application, the electronic loan file is automatically transmitted to the applicable decision maker at the appropriate level.

Approval levels

The customer relationship manager is responsible for ensuring the completeness, quality and reliability of the information collected. In accordance with Article 19 of CRBF regulation 97-02, the manager compiles loan files intended to formalize all qualitative and quantitative information on each counterparty. The manager checks the reliability of the information gathered either with customers or using any external means (sector studies, annual reports, legal information and rating agencies) or internal means at the manager's disposal. Each customer relationship manager is responsible for any decision the manager takes or causes to be taken and is endowed with personal approval powers.

For loan files whose amount exceeds the personal approval powers, the decision falls to a Loan Origination Committee whose operating rules are set by procedures.

Approval powers reflect a range of commitment caps based on:

– the rating;

– the total amount of commitments for a given counterparty or risk group, weighted where relevant depending on the type of loan concerned or the eligible guarantees;

– any specific exclusions.

Role of the lending unit

The lending unit is present at various operational levels. Coordination of the unit and involvement in the key tasks and files are exercised from Strasbourg (CM) and Paris (CIC). Specialized teams also provide a regional presence wherever the Group operates.

The lending unit has two key roles and is therefore split into two independent teams, whose responsibilities are as follows:

– one team is responsible for checking that the loan origination decisions are appropriate based on the dual review principle while verifying that the expected return is commensurate with the risk taken;

– the other team is responsible for prudential oversight and credit risk assessment arrangements, and also for the performance of permanent controls.

V.4.1.1.2 – Risk assessment, commitment monitoring procedures and management of at-risk items

In accordance with the applicable regulations, the Group's commitments are monitored by national and regional entities.

Risk assessment

To assess risk, BFCM Group uses an array of tools that provide an aggregated, static and dynamic view of:

– the exposure to a given counterparty or group of counterparties;

– new and existing loans, based on elements adapted to suit the business lines concerned (rating, market, lending products, business segments, remuneration, etc.).

Each commercial entity uses information systems that enable it to check compliance on a daily basis with the caps assigned to each of its counterparties.

Commitment monitoring

Together with other interested parties, each lending unit contributes to the quarterly, formalized monitoring of the quality of the credit risk of each business line. This monitoring is conducted independently from the loan origination process and is in addition to and in coordination with the actions taken mainly by the first-level control in the lending units, the permanent supervision procedures and the Risk Department. The objective of the monitoring is to identify as early as possible at-risk situations using specific criteria for each customer segment, either through software applications or through the relevant operations and commitments managers.

The Group also conducts internal reviews of counterparties to set "major risks" limits, determined based on either the bank's equity under CRBF regulation 93-05 in the case of regulatory limits, or equity and internal counterparty ratings in the case of corporate limits.

Advanced risk detection tools (management of debtors/sensitive risks/automatic transfer to the out-of-court collections unit) are also used to monitor account functioning anomalies and overruns, on the basis of both external and internal criteria, in an automated, systematic and comprehensive manner. These criteria are used to identify loans for special handling as early as possible.

A permanent network control function, independent of the lending function, performs second level controls on credit risk that review counterparties exhibiting warning signs and identify entities with multiple negative indicators. The aim of the second level control is to ensure that appropriate "risk" strategies are applied and suitable remedial action implemented.

This adds an additional layer of security to the credit risk management mechanism.

Management of at-risk items

A unified definition of default based on Basel and accounting requirements

The entire Crédit Mutuel Group uses a unified definition of default, which draws a correlation between the Basel concept of default and the accounting notion of non-performing loans and loans in litigation as a result of an alignment of prudential rules to accounting regulations (CRC 2002-03). The computer applications take contagion into account, which also allows related loans to be downgraded.

Identification of at-risk items

The objective of the process is to identify all loans to be placed on credit watch and allocate them to the applicable category: sensitive (not downgraded), non-performing or in litigation. All loans are subject to an automatic monthly identification process using internal and external indicators that have been parameterized in the information system. Downgrading, in accordance with the prevailing regulatory criteria, is carried out automatically.

Transfer to non-performing, provisioning and reclassification as performing

Adjustments associated with the transfer to non-performing, provisioning and the reclassification as performing comply with the prevailing applicable rules and are processed automatically on a monthly basis, which ensures the process is exhaustive.

Management of doubtful loans

The Group deals with doubtful loans depending on the severity of the situation. Management of such customers could remain at the branch level under the supervision of the customer relationship manager or be handled by specific, specialized staff, in accordance with the market, counterparty type or collection method.

Reporting

Risk Committee

In accordance with the provisions of CRBF regulation 97-02, the different decision-making bodies, particularly the Risk Committee, are informed of the evolution of lending commitments periodically and at least on a quarterly basis. In addition, these bodies are informed of and participate in decisions concerning the changes affecting the management systems of the credit commitments.

Information provided to management

Detailed information on credit risks and related procedures is presented to the general management. This information is also presented to a Risk Monitoring Committee in charge of examining the strategic challenges faced by the BFCM Group in terms of risks, in accordance with applicable regulations.

V.4.1.2 – Quantified data

V.4.1.2.1 – Summary credit-risk exposure (balance sheet and off-balance sheet)

Exposure

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2011
Loans & receivables		
Credit institutions	69,580	65,227
Customers	171,256	171,110
Gross exposure	**240,837**	**236,337**
Impairment provisions		
Credit institutions	- 280	- 310
Customers	- 6,275	- 6,485
Net exposure	**234,281**	**229,543**

Source : Accounting - excluding repurchase agreements.

Exposure on commitments given

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2011
Financing commitments given		
Credit institutions	3,815	1,622
Customers	37,090	40,578
Guarantee commitments given		
Credit institutions	1,317	2,257
Customers	13,309	13,188
Provision for risks on commitments given	**111**	**126**

Source : Accounting - excluding repurchase agreements.

V.4.1.2.2 – Customer loans

Total loans to customers amounted to €171.3 billion, stable compared to 2011. Medium- and long-term loans on the balance sheet increased by 2.0%, while short-term loans decreased by 3.6%.

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2011
Short-term loans	**51,403**	**53,337**
Overdrawn current accounts	7,252	6,220
Commercial loans	4,722	5,081
Short-term credit facilities	38,964	41,534
Export credits	465	503
Medium- and long-term loans	**110,268**	**108,148**
Equipment loans	31,199	29,572
Housing loans	63,746	63,311
Finance leases	8,436	8,334
Other	6,887	6,932
Total gross customer loans, excluding nonperforming loans and accrued income	**161,671**	**161,486**
Non-performing loans	9,270	9,282
Accrued income	315	342
Total gross customer loans	**171,257**	**171,111**

Source : Accounting - excluding repurchase agreements.

Unless otherwise specified, the comments, outstanding loans and analyses set out below (except for the "Housing loans" and "Geographical risk" sections) do not include Targobank Germany, the Cofidis Group, Targobank Spain and Banque Casino.

Quality of the portfolio

The BFCM Group's loan portfolio is of high quality. On a nine level internal rating scale (excluding defaults), customers in the eight best categories accounted for 97.4% of the outstanding loans.

Performing loans to customers by internal rating	Dec. 31, 2012, in %	Dec. 31, 2011, in %
A+ and A-	27.4%	26.1%
B+ and B-	33.0%	32.9%
C+ and C-	25.7%	26.5%
D+ and D-	11.3%	12.3%
E+	2.5%	2.2%

Source : Risk Management.

CM-CIC rating	Moody's equivalent	Standard & Poors equivalent
A+	AAA to Aa1	AAA to AA+
A-	Aa2 to Aa3	AA to AA-
B+	A1 to A2	A+ to A
B-	A3 to Baa1	A- to BBB+
C+	Baa2	BBB
C-	Baa3	BBB-
D+	Ba1 to Ba2	BB+ to BB
D-	Ba3 to B1	BB- to B+
E+	B2 and <	B and <

Focus on Home loans

Outstanding amounts of home loans increased by 0.7% in 2012 and accounted for 39% of the total gross balance sheet customer loans. Home loans are divided among a very large number of customers and are backed by real property sureties or first-rate guarantees.

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2011
Housing loans	**63,746**	**63,311**
Secured by Crédit Logement or Cautionnement Mutuel Habitat	22,404	22,235
Secured by mortgage or equivalent, low-risk guarantee	34,221	33,952
Other guarantees [1]	7,121	7,124

Source : Accounting. 1. Other risk-level mortgages, pledges…

Breakdown of loans by customer type

The breakdown of loans by customer type set forth below includes all the entities of BFCM Group located in France.

	Dec. 31, 2012, in %	Dec. 31, 2011, in %
Retail	65%	63%
Corporates	29%	27%
Large corporates	3%	6%
Specialized financing and other	2%	3%

Source : Risk Management.

Geographical breakdown of customer risk

98% of the identified country risk is in Europe. With marginal exceptions, the country risk exposure of the portfolio is centered on France and OECD countries.

	Dec. 31, 2012 in %	Dec. 31, 2011 in %
France	85%	85%
Europe, excluding France	13%	13%
Rest of the world	2%	2%

Source : Accounting.

Concentration risk / Exposure by segment

The figures in the tables shown below are derived from the Basel II calculator for the CM11-CIC Group.

In accordance with Article 4.1 of CRBF regulation 2000-03, the following subsidiaries are exempt from monitoring on an individual or sub-consolidated basis: BFCM, Sofemo, BCMI, Crédit Mutuel - CIC Home Loan SFH and CIC Iberbanco. The other regulated entities are subject to monitoring on an individual or subconsolidated basis.

*Exposure of the CM11-CIC Group by category **

	Exposure at Dec. 31, 2012			Exposure at Dec. 31, 2011			Average exposure 2012
In € billion	IRB	Standard	Total	IRB	Standard	Total	
Governments and central banks		63	63		49	49	58
Institutions	33	9	42	33	9	43	40
Corporates	90	10	100		102	102	101
Retail customers	199	36	235	195	36	231	234
Stock	3	0	3	3	0	3	3
Securitization	4	0	4	5	1	6	4
Other non-credit obligation assets	5	1	5	5	1	5	5
Total	**333**	**119**	**453**	**241**	**198**	**439**	**445**

Source : Basel II calculator - CM11-CIC Group consolidated scope.

Historically, the priority of the Crédit Mutuel Group has been to develop a customer base of private individuals. CIC, originally geared more toward the corporates market, has gradually gained strength in the personal banking segment, but continues to serve corporates.

The composition of the Group's portfolio clearly reflects these principles, as evidenced by the fact that the share of retail customers remained stable at 52% at December 31, 2012.

*Exposure by country of residence of the CM11-CIC Group's counterparty **

Category of exposure at Dec. 31, 2012	France	Germany	Other EEA member countries	Rest of the world	Total
Governments and central banks	11.4%	0.5%	1.2%	1.6%	14.7%
Institutions	5.9%	0.3%	0.7%	1.0%	7.9%
Corporates	18.3%	0.7%	2.0%	1.8%	22.8%
Retail customers	48.7%	3.2%	1.5%	1.1%	54.6%
Total	**84.2%**	**4.8%**	**5.5%**	**5.5%**	**100%**

Source : Basel II calculator - CM11-CIC Group consolidated scope.

Category of exposure at Dec. 31, 2011	France	Germany	Other EEA member countries	Rest of the world	Total
Governments and central banks	8.7%	0.5%	1.7%	0.8%	11.6%
Institutions	6.8%	0.3%	1.2%	1.1%	9.4%
Corporates	19.1%	0.8%	2.0%	2.0%	23.9%
Retail customers	49.0%	3.4%	1.6%	1.2%	55.2%
Total	**83.6%**	**4.9%**	**6.6%**	**5.0%**	**100%**

Source : Basel II calculator - CM11-CIC Group consolidated scope.

The geographic breakdown of gross exposure, with 94.5% of commitments in the European Economic Area, is a reflection of the fact that the Group is primarily a French and European player.

*Exposure of the CM11-CIC Group by sector **

The sector breakdown reflects loans to governments and central banks, institutions, corporates and retail customers.

Sector	Dec. 31, 2012 in %	Dec. 31, 2011 in %
Governments and central banks	15.51%	12.50%
Private individuals	45.20%	46.26%
Banks and financial institutions	8.39%	9.04%
Sole traders	3.23%	3.32%
Farmers	1.38%	1.27%
Associations	0.47%	
Travel and leisure	1.06%	1.12%
Chemicals	0.26%	0.00%
Retail	3.61%	3.64%
Automotive industry	0.77%	0.81%
Construction & building materials	2.50%	2.57%
Industrial goods & services	2.24%	2.33%
Healthcare	0.55%	0.56%
Other financial activities	1.90%	2.06%
Industrial transport	1.39%	1.42%
Household products	0.60%	0.63%
Real estate	3.48%	3.53%
Services to local governments	0.56%	0.56%
Agri-food & beverages	1.35%	1.34%
Media	0.44%	
Holding companies, Conglomerates	2.24%	2.73%
Advanced technologies	0.77%	0.83%
Oil & gas, Raw materials	1.37%	1.50%
Telecommunications	0.34%	
Miscellaneous	0.38%	2.00%
Total	100.00%	100.00%

Source : Basel II calculator - CM11-CIC Group consolidated scope.

Major risks

Corporate

Concentration of customer credit risk	Dec. 31, 2012	Dec. 31, 2011
Gross commitments in excess of € 300m		
Number of counterparty groups	28	40
Total commitments (€m)	20,269	25,667
of which total statement of financial position (€m)	*7,726*	*9,569*
of which total off-statement of financial position guarantee and financing commitments (€m)	*12,543*	*16,098*
Gross commitments in excess of € 100m		
Number of counterparty groups	133	124
Total commitments (€m)	38,624	39,588
of which total statement of financial position (€m)	*16,340*	*16,429*
of which total off-statement of financial position guarantee and financing commitments (€m)	*22,284*	*23,159*

Source : DGR 4003.
Gross commitments : weighted uses statement of financial position + offstatement.

Banking

Concentration of customer credit risk	Dec. 31, 2012	Dec. 31, 2011
Gross commitments in excess of € 300m		
Number of counterparty groups	12	16
Total commitments (€m)	8,884	14,747
of which total statement of financial position (€m)	*7,039*	*11,440*
of which total off-statement of financial position guarantee and financing commitments (€m)	*1,845*	*3,307*
Gross commitments in excess of € 100m		
Number of counterparty groups	29	30
Total commitments (€m)	12,062	17,497
of which total statement of financial position (€m)	*9,714*	*13,579*
of which total off-statement of financial position guarantee and financing commitments (€m)	*2,348*	*3 918*

Source : DGR 4003.
Gross commitments : weighted uses statement of financial position + offstatement.

At-risk items and net additions to/reversals of provisions for loan losses

The BFCM Group's doubtful loans remained stable on a comparable basis, with €9.269 billion at December 31, 2012 compared to €9.282 billion at December 31, 2011. These loans accounted for 5.4% of total customer loans, the same as in 2011.

At the end of 2012, actual net provisioning for known risks represented 0.495% of gross outstanding customer loans, compared to 0.529% at December 31, 2011. The cost of total customer risk, which includes provisions for collectively impaired receivables, amounted to 0.526% of the gross outstanding amount of customer loans, compared to 0.521% at December 31, 2011. The table below summarizes the main components.

Cost of risk

	Dec. 31, 2012	Dec. 31, 2011
Cost of total customer risk	**0.526%**	**0.521%**
Banking networks [1]	0.20%	0.15%
Private individuals	*0.08%*	*0.07%*
Housing loans	*0.07%*	*0.04%*
Consumer credit - Targobank Germany	1.57%	1.92%
Consumer credit - Cofidis	3.92%	4.48%
Financing [2]	0.48%	0.14%
Private banking	0.31%	0.09%

1. CIC, BECM, CIC Iberbanco, Targobank Spain (excluding Targobank Germany, COFIDIS and support subsidiaries in the network).
2. Large corporates, International (incl. foreign branches), Specialized financing.

Quality of customer risks

In € million, year-end principal balances	Dec. 31, 2012	Dec. 31, 2011
Individually impaired receivables	9,269	9,282
Provision for individually impaired receivables	5,785	6,048
Provision for collectively impaired receivables	490	437
Coverage ratio	67.7%	69.9%
Coverage ratio (provision for individual impairments only)	62.4%	65.2%

Source : Accounting.

Outstanding loans to customers that are overdue but not impaired

Dec. 31, 2012	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments[1]	**0**	**0**	**0**	**0**	**0**
Loans & receivables	**2,055,257**	**17,134**	**10,554**	**15,740**	**2,098,685**
Governments	699	0	0	0	699
Credit institutions	9,863	0	0	0	9,863
Non-financial institutions	184	0	0	0	184
Large corporates	420,544	984	5,323	10,440	437,291
Retail customers	1,623,967	16,150	5,231	5,300	1,650,648
Total	**2,055,257**	**17,134**	**10,554**	**15,740**	**2,098,685**

Dec. 31, 2011	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments[1]	**0**	**0**	**0**	**0**	**0**
Loans & receivables	**1,588,899**	**24,029**	**86**	**2,377**	**1,615,391**
Governments	1,248	0	0	0	1,248
Credit institutions	17,824	0	0	0	17,824
Non-financial institutions	3,194	0	0	0	3,194
Large corporates	292,436	1,905	0	2,333	296,674
Retail customers	1,274,197	22,124	86	44	1,296,451
Total	**1,588,899**	**24,029**	**86**	**2,377**	**1,615,391**

1. Available-for-sale or held-to-maturity debt securities.

V.4.1.2.3 – Interbank loans*

Interbank loans by geographic region

	Dec. 31, 2012 in %	Dec. 31, 2011 in %
France	43.1%	47.6%
Europe, excluding France	34.2%	31.7%
Other countries	22.7%	20.7%

Source : Counterparty Financial Information Department.
Banks only, excluding Targobank Germany, Targobank Spain and Cofidis.

Interbank loans are classified by the country of the parent company.

At the end of 2012, interbank loan exposures related mainly to banks in France, the United States and Germany. The BFCM Group continued to reduce its exposure in the most sensitive European banking systems during 2012.

Structure of interbank exposure by internal rating

	Equivalent external rating	Dec. 31, 2012 in %	Dec. 31, 2011 in %
A+	AAA/AA+	0.1%	0.4%
A-	AA/AA-	32.5%	25.4%
B+	A+/A	43.3%	52.5%
B-	A-	10.3%	12.7%
C and below	below	13.5%	8.9%
Not rated		0.3%	0.0%

Source : Counterparty Financial Information Department.
Banks only, excluding Targobank Germany, Targobank Spain and Cofidis.

In 2012, the change in the structure of BFCM's interbank exposure based on the internal rating was marked by:

– an increase in amounts owed rated A- (external equivalent AA/AA-), concentrated in a few leading French and European counterparties;

– an increase in amounts owed by the weakest counterparties (rated C+ or less, i.e. external equivalent BBB+), due to the deterioration in the scores of counterparties located in sensitive countries; and

– and a significant decrease in amounts owed rated B+ (external equivalent A+/A) due to the aforementioned downgrades as well as to a decrease in amounts owed by a few significant counterparties.

86% of outstanding loans are rated B or A, i.e. at least A- in equivalent external ratings, compared to 91% the previous year.

V.4.1.2.4 – Sovereign risk

Sovereign risk is presented in Note 7b to the consolidated financial statements of BFCM Group.

V.4.1.2.5 – Debt securities, derivative instruments and repurchase agreements

The securities portfolios are mainly held by the capital markets activity and, to a lesser extent, the assetliability management unit.

In € million, year-end principal balances	Carrying amount at Dec. 31, 2012	Carrying amount at Dec. 31, 2011
Government securities	13,589	16,795
Bonds	72,424	71,823
Derivative instruments	5,461	3,634
Repurchase agreements & securities lending	12,508	8,969
Gross exposure	**103,983**	**101,220**
Provisions for impairment of securities	- 102	- 191
Net exposure	**103,881**	**101,029**

Source : Accounting.

V.4.2 – Asset-liability management (ALM) risk

V.4.2.1 – Organization

The CM11-CIC Group's asset-liability management functions, which were previously organized on a decentralized basis, have been centralized. This organization includes BFCM Group.

The CM11-CIC Group's decision-making committees for matters concerning liquidity and interest-rate risk management are as follows:

– The ALM Technical Committee manages liquidity and interest rate risk in accordance with the risk limits applied within the CM11-CIC Group. The ALM Technical Committee is composed of the heads of the relevant business lines (finance department, asset-liability management, refinancing and treasury, marketing and risk) and meets on a quarterly basis. The indicators compiled at consolidated level and by entity are static and dynamic liquidity gaps, static interest-rate gaps and sensitivity of net banking income and net asset value.

– The ALM Monitoring Committee, composed of the CM11-CIC Group's senior executives, examines changes in asset-liability management risk and approves the risk limits.

Hedging decisions are aimed at maintaining the risk indicators within the limits set for CM11-CIC as a whole and for each of the entities comprising the Group. The hedges are assigned to the entities concerned, in accordance with the entities' needs.

The various asset-liability management risk indicators are also presented each quarter to the CM11-CIC Group's Risk Committee.

The role and principles governing asset-liability management are defined as follows:

– Asset-liability management is a distinct function from the trading room, with its own resources.

– The key objective of asset-liability management is to shelter lending margins from the effects of interest and exchange rate fluctuations and to ensure that the bank has sufficient liquidity to meet its obligations, therefore protecting it from a liquidity crisis.

– Asset-liability management does not operate as a profit center but as a function that serves the bank's profitability and development strategy, as well as the management of liquidity risk and interest-rate risk arising from the activity of the network.

– Asset-liability management helps to define the bank's sales and marketing policy in terms of lending criteria and rules governing internal transfer rates and is in constant contact with the sales teams throughout the network.

V.4.2.2 – Interest-rate risk management*

The Group's commercial activities generate interest rate risk, creating interest rate differentials and differences in benchmark lending and borrowing rates. Analysis of this risk also takes into account the volatility of amounts outstanding on products with no contractual maturity date and embedded options (early repayment and roll-over options for loans and confirmed credit line drawdowns, etc.).

The Group uses a combination of macro hedging and specific hedging to manage interest-rate risk arising from all operations connected with the banking network's business, as well as customer loans involving a material amount or an unusual structure. Risk limits are set in relation to the annual net banking income of each bank and each group. The technical committee decides which hedges to implement and allocates them pro rata in accordance with the needs of each entity.

Interest rate risk is analyzed on the basis of the main indicators below, which are updated on a quarterly basis.

– **The static fixed-rate gap**, corresponding to items in the balance sheet, both assets and liabilities, whose cash flows are considered to be certain over a one to ten year horizon, governed by limits from three to seven years, measured by a net banking income ratio.

– **The static "inflation" gap** over a a one to ten year horizon.

– **The sensitivity of the net interest margin**, calculated based on national scenarios and subject to limits. It is measured in annual steps, over a two-year horizon and is expressed as a percentage of each entity's net banking income.

The Group calculates four scenarios:

- scenario 1 (core scenario): a 1% increase in market interest rates and a 0.33% increase in inflation;
- scenario 2: a 1% increase in market interest rates and stable inflation;
- scenario 3: a 2% increase in market interest rates and a 0.66% increase in inflation;
- scenario 4 (stress scenario): a 3% increase in short interest rates, a 1% decline in long rates and stable inflation.

As of December 31, 2012, the net interest income of BFCM Group and the CM11-CIC Group was, under the core scenario, exposed to a drop in interest rates. For these two scopes of consolidation, interest sensitivities were similar:

– For the BFCM Group (excluding the refinancing activity), the sensitivity was - €168.5 million in year 1 and - €174.9 million in year 2, equivalent to 4.2% and 4.2% of forecast net banking income for each year, respectively.

– For the CM11-CIC Group commercial banking (excluding the holding company), the interest sensitivity was - €159.0 million in year 1 and - €234.2 million in year 2, equivalent to 2.4% and 3.4% of forecast net banking income for each year, respectively.

The risk limits set at 3% of net banking income in one year and 4% in two years were complied with.

Indicators in case of a rise in interest rates in the CM11-CIC commercial banking (excluding the holding company) were as follows:

Sensitivity in % of net banking income	1 year	2 years
Scenario 1	2.4%	3.4%
Scenario 2	3.6%	5.3%
Scenario 3	4.7%	6.8%
Scenario 4	5.0%	4.4%

– **Sensitivity of Net Asset Value (NAV)** arising from the application of the standard Basel II indicator: By applying a uniform 200bp increase or decrease to the whole balance sheet, it is possible to measure, as a percentage of equity, the change in the net discounted value of the main balance sheet items based on various scenarios.

Sensitivity of Net Asset Value (NAV)	In % of equity
Sensitivity + 200 bp	- 5.0%
Sensitivity - 200 bp	+ 9.6%

*BFCM Group : Interest rate risk - static fixed rate gap (in €m *)*

Macro-aggregate	Amount outstanding at Dec. 31, 2012	1 year	2 years	5 years	10 years
Interbank assets	69,079	5,150	3,585	2,297	1,741
Loans	142,374	84,906	68,810	37,093	13,467
Securities	26,872	1,435	1,233	442	232
Long-term investments	18,343	15,678	15,677	15,654	14,953
Other assets	14,462	- 152	- 152	- 152	- 152
Total assets	**271,131**	**107,017**	**89,153**	**55,334**	**30,241**
Interbank liabilities	- 90,998	- 7,982	- 4,484	- 2,356	- 1,850
Deposits	- 116,101	- 51,313	- 40,656	- 20,892	- 9,399
Securities	- 34,380	- 25,387	- 22,302	- 11,108	- 3,028
Shareholders' equity	- 16,365	- 16,036	- 16,036	- 16,036	- 16,036
Other liabilities	- 15,184	0	0	0	0
Total liabilities	**- 273,027**	**- 100,718**	**- 83,478**	**- 50,392**	**- 30,312**
Total statement of financial position	**- 1,896**	**6,299**	**5,675**	**4,942**	**- 70**
Off-statement of financial Position items financial Assets	61,992	23,248	17,522	8,415	3,064
Off-statement of financial Position items financial Liabilities	- 62,646	- 27,275	- 18,824	- 6 875	- 226
Total off-statement of financial position	**- 654**	**- 4,027**	**- 1,302**	**1,539**	**2,838**
Grand total	**- 2,550**	**2,272**	**4,373**	**6,482**	**2,767**

* Figures not audited by the Statutory Auditors.

V.4.2.3 – Liquidity risk management

The CM11-CIC Group attaches great importance to the management of liquidity risk.

The CM11-CIC Group's liquidity risk management mechanism is based on the following procedures:

– compliance with the one-month liquidity ratio, which is representative of the Group's short-term liquidity situation;

– establishing the static liquidity gap, based on contractual and agreed maturities and incorporating offbalance sheet commitments; transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to seven years and are subject to target levels in order to lock in and optimize the refinancing policy;

– calculating the dynamic liquidity gap over five years, incorporating new loans granted, thereby facilitating measurement of future financing needs associated with the development of commercial activity;

– reviewing the impact of a stress scenario on static gap and transformation ratios, in particular involving a 30% decline in sources of funds and an increased drawdown of confirmed credit lines;

– the ALM Technical Committee decides on the liquidity hedges to be implemented in light of all these indicators. These hedges are allocated pro rata in accordance with cumulative needs.

Breakdown of maturities for BFCM Group's liquidity risk

2012

In € millions	Residual contractual maturities							
	≤ 1 month[1]	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity[2]	Total
Assets								
Trading financial assets	1,823	1,091	5,312	1,722	4,815	3,179	9	17,951
Financial assets at fair value through profit or loss	5,296	2,439	2,742	116	1,838	18	20	12,470
Derivative instruments used for hedging purposes - assets	3	0	2,500	9	95	5	2	2,614
Available-for-sale financial assets	427	369	2,190	3,793	8,142	4,071	867	19,859
Loans and receivables (incl. finance leases)	48,852	10,782	18,484	24,569	53,360	77,527	2,439	236,012
Held-to-maturity investments	3	77	68	116	641	0	0	905
Other assets	731	15,110	958	9	45	48	375	17,276
Liabilities								
Central bank deposits	9	45	24	52	125	87	0	343
Trading financial liabilities	639	158	1,200	770	3,099	1,678	8	7,551
Financial liabilities at fair value through profit or loss	7,666	6,179	5,147	0	0	0	0	18,992
Derivative instruments used for hedging purposes - liabilities	12	9	500	79	222	1,931	10	2,763
Financial liabilities carried at amortized cost	104,297	31,838	38,962	18,855	48,452	25,296	8,863	276,562

Excluding insurance activities.
1. Includes accrued interest and income and securities given and received under repurchase agreements.
2. Includes undated debt securities, equities, non-performing loans, loans in litigation and impairment provisions. For marked-to-market financial instruments, also includes differences between fair value and redemption value.

2011

In € millions	Residual contractual maturities							
	≤ 1 month[1]	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity[2]	Total
Assets								
Trading financial assets	467	294	3,207	4,268	4,569	3,104	465	16,374
Financial assets at fair value through profit or loss	5,276	1,060	890	23	2,030	4	60	9,343
Derivative instruments used for hedging purposes - assets	3	1	1,004	27	40	24	1	1,099
Available-for-sale financial assets	324	248	2,873	3,101	10,438	7,031	1,684	25,699
Loans and receivables (incl. finance leases)	39,938	17,569	20,239	20,369	53,299	78,550	1,439	231,403
Held-to-maturity investments	32	2,878	2,036	142	715	42	0	5,845
Other assets	722	12,855	1,479	2	17	15	379	15,469
Liabilities								
Central bank deposits	16	13	67	47	95	44	0	282
Trading financial liabilities	577	126	1,106	839	2,522	1,502	4	6,676
Financial liabilities at fair value through profit or loss	9,959	6,273	6,163	0	0	0	0	22,395
Derivative instruments used for hedging purposes - liabilities	11	5	598	319	753	1,287	2	2,974
Financial liabilities carried at amortized cost	117,216	33,901	28,887	16,676	47,850	23,615	6,450	274,594

Excluding insurance activities.
1. Includes accrued interest and income and securities given and received under repurchase agreements.
2. Includes undated debt securities, equities, non-performing loans, loans in litigation and impairment provisions. For marked-to-market financial instruments, also includes differences between fair value and redemption value.

V.4.2.4 – Exchange rate risk

The Group automatically centralizes foreign exchange rate positions of each Group entity in the CIC holding company and in BFCM on a daily basis for commercial transfers and cash flows, both income and expenses, denominated in foreign currencies, and on a monthly basis for any gains or losses in foreign exchange, which are converted into euros.

As a result, no Group entity bears any exchange rate risk at its own level. The holding company is responsible for clearing foreign exchange rate positions daily and monthly via the market.

A specific foreign currency position limit is assigned solely to the capital markets business of CM-CIC Marchés.

Structural exchange rate positions that result from foreign currency allowances to foreign branches remain at the foreign branch level and are not hedged.

Foreign exchange gains or losses are recognized in the asset or liability translation accounts and therefore are not taken into account in the income statement.

The profits or losses of the foreign branches are retained in the foreign branches and thus add to the structural foreign currency position.

V.4.2.5 – Equity risk

BFCM Group has exposure to various types of equity risks.

V.4.2.5.1 – Assets measured at fair value through profit or loss

Financial assets held in the trading portfolio amounted to €317 million at December 31, 2012 compared with €473 million at December 31, 2011 and solely concerned CIC's capital markets business (see Note 5a to the consolidated financial statements).

Financial assets accounted for using the fair value option through profit or loss amounted to:

– €1.921 billion under the fair value option, of which €1.870 billion represented the private equity business line (see Note 5a to the consolidated financial statements);

– €10.098 billion in equities held by the GACM insurance activity (see Note 1.3.4. to the consolidated financial statements) within the framework of unit-linked policies in the insurance business, to ensure consistency with the treatment of liabilities.

V.4.2.5.2 – Available-for-sale financial assets

Financial assets classified as available-for-sale and various long-term investments amounted to €5.119 billion and €1.625 billion respectively (see Note 7 to the consolidated financial statements).

Long-term investments included:

– investments in non-consolidated subsidiaries totaling €1.177 billion and in associates totaling €311 million: the main holdings included Club Sagem (€134 million), Desjardins (€67 million), Foncières des Régions (€277 million) and CRH (Caisse de Refinancement de l'Habitat) (€72 million);

– other long-term securities (€133 million).

V.4.2.5.3 – Diminution in value of shares

The Group reviews its equity investments periodically to identify any impairment in listed securities in the event of a significant or prolonged drop in value.

Net reversals of impairment charges through profit or loss totaled €31 million in 2012 compared to a net impairment of €143 million in 2011.

At December 31, 2012, the acquisition value of devalued stocks was €3.761 billion and the corresponding impairment provision was €1.986 million. Their market value was €1.775 billion.

V.4.2.6 – Private equity

The private equity business comprises dedicated private equity entities whose portfolios are all accounted for under the fair value option. The portfolios comprise around 500 investment lines, relating mainly to small- and medium-sized enterprises.

Risks related to the private equity business

	At Dec. 31, 2012	At Dec. 31, 2011
Number of listed investment lines	33	38
Number of unlisted, active investment lines	416	567
Revalued proprietary portfolio (€m)	1,769	1,784
Managed funds (€m)	676	725
Number of managed funds	48	39

V.4.3 – Market risk

V.4.3.1 – General structure

CM-CIC Marchés combines all the capital markets activities of BFCM and CIC in France and those of the branches in Frankfurt (BFCM), London, New York and Singapore (CIC).

These entities are organized around three business lines: refinancing (transactions which are mainly recognized on BFCM's balance sheet), commercial, and fixed income, equity and credit products (recognized on CIC's balance sheet).

V.4.3.1.1 – Refinancing

A dedicated treasury management team is responsible for refinancing all the activities of the CM11-CIC Group. It seeks to diversify its investor base in Paris, Frankfurt and London and its refinancing tools, including Crédit Mutuel-CIC Home Loan SFH.

The products concerned consist mainly of monetary or bond instruments and futures used to hedge interest rates and exchange rates.

In addition to the pure refinancing positions, this business line also has a portfolio of securities classified as AFS (available-for-sale), which are mainly meant to be used in case of a liquidity crisis.

V.4.3.1.2 – Commercial

The sales teams working from Paris or within the regional banks use a wide range of standardized tools and products. A dedicated technical desk responsible for designing, match funding and reversing positions ("CAR") aims to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments.

The business also involves the sale of investment products such as Libre Arbitre and Stork (resulting directly from the expertise of the Fixed Income, Equity and Credit products business line), which are aimed at institutional, corporate and retail customers of CM-CIC's various networks.

V.4.3.1.3 – Fixed Income, Equity and Credit Products

This business line is organized around desks specialized in investments in equities, hybrid instruments, spreads and fixed income products. These activities mainly involve purchases and sales of financial securities acquired with the intention of holding them for a long period of time, as well as trading in related financial instruments. These activities are called upon to create value in a disciplined risk environment, to drive commercial development and to provide expertise or services to other Group entities.

V.4.3.2 – Internal control structures

In 2012, the internal control function continued to improve its organization and monitoring methodologies. It continued to refine its procedures to take into account a unified system of limits incorporating the market activities of the branches and to present the CRD3 regulatory changes, in particular stressed VaR and IRC as well as risk measurement in VaR/stress-tests, as part of the "market risk internal model" project, and regulatory risk measurement (CAD and European Capital Adequacy under Basel 2.5 standards).

The French Prudential Supervisory Authority (L'Autorité de contrôle prudentiel - ACP) carried out a general review of the Fixed Income-Equity-Credit products business line, following which it issued a number of recommendations, implementation of which is at an advanced stage.

All methodologies are formalized in a "body of rules". Regular updates throughout the year include the introduction of new products and the improvement of the monitoring of risk measurement, with a complete formal validation at least once per year.

Capital markets activities are organized as follows:

– they are under the responsibility of a member of the Executive Management;

– the front-office units that execute transactions are segregated from those responsible for monitoring risks and results (control function) and from those in charge of transaction validation, settlement and recording (back-office function);

– internal control teams operate under the responsibility of the Group's risk division, which compiles management reports summarizing risk exposures and has the Boards of Directors of CIC and BFCM validate the level of capital allocated/consumed;

– the permanent controls system is based on first-level controls performed by three control teams:

- the risks and results team validates production, monitors results on a daily basis and ensures compliance with limits,
- a team in charge of accounting and regulatory issues is responsible for reconciling accounting and economic results, for providing oversight on regulatory matters, and the control of operational risks,
- a CM-CIC Marchés team covering legal compliance is responsible for first-level legal issues;

– second-level controls are organized around:

- capital markets business lines' permanent controls function (CPMM), which reports to the permanent control department, supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls on activities,
- CIC's lending department, which monitors at-risk outstanding for each counterparty group,
- CIC's legal and tax department, which works with the CM-CIC Marchés legal team,
- CIC's finance department, which supervises accounting procedures and templates and is responsible for accounting and regulatory controls;

– the CM11-CIC Group's periodic controls team, which uses a team of specialist auditors to carry out periodic controls and compliance checks in respect of capital markets activities.

A Market Risk Committee that meets monthly is responsible for monitoring the strategy, results and risks of CMCIC Marchés (in France and in the branches) in relation to the limits prescribed by the Boards of Directors of CIC and BFCM. It is chaired by the member of Executive Management in charge of CM-CIC Marchés and comprises the Chief Operating Officer of CIC and BFCM, the front office, post-market, back office and accounting and regulatory control managers, and the manager of the risk department and the Group permanent control department. It approves the operational limits established as part of the general limits set by the Boards of Directors of CIC and BFCM, which are kept informed on a regular basis of the risks and results of these activities. The Market Risk Committee also approves the general principles of the "Internal Market Risk Model".

V.4.3.3 – Risk management*

The system used to set exposure limits for market risk is based on:

– an overall limit for regulatory capital (CAD/European capital adequacy), broken down by desk, and for VaR;

– internal rules and scenarios (CAD risks, historical VaR and stress tests), which convert exposures into potential losses.

The limits system covers various types of market risk (interest rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk and for each desk.

If the overall limit and/or the limit assigned to each business line is exceeded, the Group risk department is responsible for monitoring and managing the excess exposure.

Risks are monitored based on first-tier indicators such as sensitivity to various market risk factors (mainly for traders), and second-tier indicators such as potential losses, to provide an accessible overview of capital markets exposures for decision-makers.

Following a sharp decrease that began in 2009, the capital allocated in 2012 for the Fixed Income, Equity and Credit products and commercial business lines in mainland France remained stable compared to 2011. VaR was €8.8 million at the end of 2012.

The capital consumed by the RMBS business conducted in the New York branch continued to fall in line with the amortization of the portfolio securities managed on a run-off basis. Trading activities are maintained within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight treasury position must not exceed a certain limit with an intermediate warning limit, the two limits being set by the department and approved by the Boards of Directors of CIC and BFCM. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal trading desk risks are as follows:

– Refinancing: BFCM's market risks relate mainly to the liquidity portfolio. Such risks are calculated based on the CAD and European Capital Adequacy requirement. In 2012, the overall consumption of risk capital fell from €94 million to €71 million. This change was attributable to a drop in European Capital Adequacy requirements (as a result of the maturing of banking portfolio transactions) and a decline in CAD in respect of General Interest Rate Risk.

– Hybrid instruments: Consumption of risk capital, which remained stable throughout the year, averaged €68 million and was €66 million at the end of 2012.

The convertible bond amounts outstanding decreased to €2.1 billion at year end 2012 from 2.5 billion at year end 2011.

– Credit: These positions correspond to either securities/CDS arbitrage or to credit correlation positions (Itraxx/CDX tranches) or asset-backed securities. On the credit arbitrage portfolio, consumption of risk capital averaged around €28 million and reached €23.8 million in December following the liquidation of CDS/Itraxx. On the ABS portfolio, consumption of risk capital was around €97 million and ended the year at €107 million. The risks related to the downgrades on Spain and Ireland had little impact on the portfolio positions in peripheral countries thanks to prudent risk management and a reduction in positions in these countries throughout the year. With respect to the credit correlation business, exclusively based on Itraxx/CDX tranches, consumption of risk capital began at €10.7 million before falling in February as a result of the liquidation of tranches, and stood at €7 million over the remainder of the year.

– M&A and miscellaneous actions: Consumption of risk capital reached €40 million on average in 2012, ending the year at €20.6 million. This decrease followed the change in outstanding amounts and the removal of OST from M&A. M&A amounts outstanding decreased to €166 million in December 2012 compared to €256 million at the end of 2011.

– Fixed income: The positions relate to directional and yield-curve arbitrage, typically with underlying government securities, mostly European. The weak positions on Greece were liquidated in the first quarter 2012. Positions related to peripheral countries are very limited. The position on Italy was reduced by 35%, falling to approximately €2 billion, with the bulk of this outstanding amount maturing in 2014. Government securities totaled €5.8 billion at the end of 2012, compared to €8.8 billion in 2011, of which €3.1 billion related to France.

The limits of these activities were revised downward as of January 1, 2013.

V.4.3.4 – Credit derivatives

These products are used by CM-CIC Marchés and are recognized in its trading portfolio.

Trading desks are subject to exposure limits by issuer or counterparty for all types of products. Outstanding amounts are monitored on a daily basis and exposure limits are reviewed periodically by the Lending Committees and Capital Markets Risk Committees.

V.4.4 – Capital adequacy ratio *

Under Article 4.1 of CRBF regulation 2000-03, the following subsidiaries are exempt from monitoring on an individual or sub-consolidated basis: BFCM, Sofemo, BCMI, Crédit Mutuel - CIC Home Loan SFH and CIC Iberbanco. The other regulated entities are subject to monitoring on an individual or sub-consolidated basis. The information about the capital adequacy ratio of CM11-CIC group are covered in the chapter “IV. CM11-CIC group Basel Pillar 3”.

V.4.5 – Operational risk *

In the context of the Basel II capital adequacy regulations, the Crédit Mutuel-CIC Group has implemented a comprehensive operational risk management system under the responsibility of senior management. Groupwide guidelines describe the risks concerned and the quantitative evaluation methods to be used.

The Group has an overall operational risk management function that is clearly identified and split in practice between the national function and the regional functions. This function covers operational risk, disaster recovery plans and insurance covering these risks.

The system used to measure and monitor operational risk is based on a common platform applied throughout the Crédit Mutuel-CIC Group and uses an approach for identifying and modeling risks so as to calculate the level of capital required to be held with respect to operational risk.

As of January 1, 2010, Crédit Mutuel-CIC has been authorized to use its advanced measurement approach to calculate its capital adequacy requirements with respect to operational risk. As of June 30, 2012, the Group also has authorization to deduct expected losses from its capital adequacy requirement and to take into account insurance, for the consolidated group excluding the foreign subsidiaries, Cofidis and Banque Casino.

V.4.5.1 – Main objectives

The operational risk management policy set up by the Group is designed:
– to contribute to the Group’s effective management by controlling risks and the associated costs;
– from a human perspective, to protect staff, develop responsibility, autonomy and control, and capitalize on the expertise Group-wide;
– from an economic standpoint, to protect margins by effectively managing risk across all activities, ensure returns on the investments made to achieve compliance with banking regulations, optimize capital allocated in respect of risk and adapt insurance policies to the risks identified;
– from a regulatory standpoint, to respond effectively to Basel II capital requirements and supervisory authorities, develop a reliable system of internal control (CRBF 97.02), optimize disaster recovery plans for mission-critical operations and adapt financial reporting (Third Pillar of Basel II).

V.4.5.2 – Role and position of the management function

The national operational risk management function coordinates and consolidates the entire procedure through the deployment of a dedicated team and also assists the operational risk managers in the regional groups.

The regional operational risk management function implements the risk procedure and verifies that it is consistent with the national risk management policy.

V.4.5.3 – Measurement and control procedure

For modeling purposes, the Group relies mainly on the national database of internal losses, based on an external database and on scenarios developed within the context of mappings and statistical work, performed in accordance with common procedures and regulatory requirements.

Risk maps broken down by business line and by risk type and objects have been drawn up for all activities, with probability-based models culled from the work of outside experts. These are validated by the Operational Risk Technical Committee. Capital adequacy requirements are calculated at national level and are then split at regional level.

Operational risk mitigation techniques include:
– preventative actions identified during the mapping process and implemented directly by operational or permanent control staff;
– safeguard initiatives, which focus on the widespread implementation of disaster recovery plans, logistics and IT solutions for all mission-critical operations in order to limit the seriousness of any incident in the event of a crisis.

A consistent crisis management process, linked to the system for interbank operations, covers crisis communication and the three phases of disaster recovery plans: emergency, business continuity and back-on-track plans.

V.4.5.4 – Reporting and general oversight

The Group monitors the application of the operational risk management policy and risk profile with key indicators, thresholds and warnings covering the assessment of potential risks, changes in loss experience and the effectiveness of risk-reduction and financing measures. The Group’s executive and governance bodies are regularly provided with information on this risk data, including the requirements of CRBF 97-02.

V.4.5.5 – Documentation and procedures

The Group consistently applies a set of procedures that are approved by the managing bodies and are regularly updated, covering:
– governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, and of the national function, the frequency and recipients of reports, the scope for the monitoring of Group entities, and the methodology for the consolidation of subsidiaries;
– collection of incident information: procedures laying down the rules for collecting information and controlling internal losses;
– measurement system: procedures concerning, in particular, modeling that is probability based and based on the work of experts, the rules for gathering Key Risk Indicators (KRI), the basis for the allocation of capital adequacy requirements and COREP reports.

V.4.5.6 – Disaster recovery plans

Disaster recovery plans are part of the back-up measures implemented by the Group to limit any losses resulting from operational risk.

"Disaster recovery plan guidelines", which are the Crédit Mutuel-CIC Group reference document in this field, may be consulted by all teams concerned and are applied at the level of the regional groups.

Plans are classified into two categories:
– business-specific disaster recovery plans that relate to a given bank trade linked to one of the business lines identified in accordance with Basel II;
– cross-functional disaster recovery plans that relate to activities that constitute business support services (logistics, HR and IT issues).

Plans can be split into three components:
– emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;
– business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures;
– back-on-track plan: this is prepared shortly after the business continuity plan kicks in.

V.4.5.7 – Crisis management and its organization

Crisis management procedures at Group level and at regional level cover the most efficient organization and communications systems for handling the three components: emergency, business continuity and back-on-track plans.

These procedures are based on:
– a Crisis Committee, chaired by the CEO of the bank at the regional level or by the Group CEO at national level, that takes the key decisions, prioritizes action plans and handles the internal and external reporting of events;
– a crisis unit that pools information, implements the decisions and provides follow-up;
– a crisis liaison team for each business line, responsible for coordinating operations on the ground together with the crisis unit. The main focus of the team's work is implementing a disaster recovery plan until the situation returns to normal.

V.4.5.8 – Insurance deducted from equity

Operational risk financing programs are reviewed as and when the results of the assessments of net risks are available, after the application of risk-mitigation techniques on the basis of the following principles:
– insuring severe or major risks that can be insured, and developing self-insurance for the Group for amounts included in a deductible and for intra-group risks;
– insuring frequency risks when justified or self-insuring them through provisions in the income statement;
– severe non-insurable risks and the non-insured balance are covered by prudential equity reserves;
– major risks arising from interbank exchange and payment systems are covered by liquidity reserves set up and allocated on an individual system basis.

The Group is insured against damage to property and carries overall insurance for banking risks, fraud, and professional third-party liability, which it intends to use in order to reduce regulatory equity consumption for operational risks.

V.4.5.9 – Training

Each year, the Group provides operational risk training for its network managers, internal controllers and operational staff responsible for monitoring these risks.

V.4.5.10 – BFCM Group's operational risk loss experience

In 2012, the BFCM Group suffered total operational losses of €52.4 million, including €66.9 million of actual losses and €14.5 million of net reversals of provisions in respect of prior-year losses.

This total is broken-down as follows:
– fraud: €33.1 million;
– industrial relations: €4.8 million;
– human/procedural error: €13.8 million;
– legal risk: - 2.4 million (reversal of provisions);
– natural disasters and system malfunctions: €3.2 million.

V.4.6 – Other risks

V.4.6.1 – Legal risks

Legal risks are incorporated into operational risks and concern, among other things, exposure to fines, penalties and damages attributable to faults by the business in respect of its operations.

V.4.6.2 – Industrial and environmental risks

Industrial and environmental risks are included in operational risks and are analyzed from the perspective of system malfunctions and the occurrence of natural disasters (100-year events, floods, earthquakes, pollution, etc.), their impact on the business and means of prevention and protection to be put in place, notably crisis management and disaster recovery plans.

V.5 – CONSOLIDATED FINANCIAL STATEMENTS OF BFCM GROUP

Consolidated statement of financial position (IFRS) at December 31, 2012

(in € millions)

Assets

	Dec. 31, 2012	Dec. 31, 2011, restated[1]	Jan. 1, 2011 restated[1]	Notes
Cash and amounts due from central banks	9,429	5,430	6,543	4a
Financial assets at fair value through profit or loss	43,091	36,875	40,120	5a, 5c
Hedging derivative instruments	2,614	1,099	134	6a, 5c, 6c
Available-for-sale financial assets	63,570	64,125	67,775	7, 5c
Loans and receivables due from credit institutions	70,703	66,055	65,415	4a
Loans and receivables due from customers	165,775	165,358	159,542	8a
Remeasurement adjustment on interest-risk hedged investments	852	738	580	6b
Held-to-maturity financial assets	11,593	14,377	8,926	9
Current tax assets	701	907	697	13a
Deferred tax assets	873	1,497	1,192	13b
Accruals and other assets	17,727	15,870	14,723	14a
Non-current assets held for sale	1	0	0	
Deferred profit-sharing	0	0	0	
Equity-accounted investments	2,079	2,084	1,970	15
Investment property	1,167	869	791	16
Property and equipment	1,928	1,971	1,965	17a
Intangible assets	938	902	935	17b
Goodwill	4,164	4,203	4,096	18
Total assets	**397,205**	**382,358**	**375,403**	

1. After taking account of the revised IAS19 and the accounting treatment of the investment in Banco Popular Español (see Note 1.1).

Liabilities and shareholders' equity

	Dec. 31, 2012	Dec. 31, 2011, restated[1]	Jan. 1, 2011 restated[1]	Notes
Due to central banks	343	282	44	4b
Financial liabilities at fair value through profit or loss	30,970	30,928	34,194	5b, 5c
Hedging derivative instruments	2,763	2,974	2,457	6a, 5c, 6c
Due to credit institutions	34,477	49,114	38,193	4b
Due to customers	134,864	126,146	116,325	8b
Debt securities	93,543	86,673	94,646	19
Remeasurement adjustment on interest-risk hedged investments	- 1,947	- 1,664	- 1,331	6b
Current tax liabilities	446	387	395	13a
Deferred tax liabilities	805	771	850	13b
Accruals and other liabilities	13,430	7,596	10,429	14b
Liabilities associated with non-current assets held for sale	0	0	0	
Technical reserves of insurance companies	62,115	55,907	55,442	20
Provisions	1,512	1,418	1,485	21
Subordinated debt	7,836	8,025	8,619	22
Shareholders' equity	**16,047**	**13,801**	**13,654**	
Shareholders' equity attributable to the Group	**12,709**	**10,731**	**10,504**	
Subscribed capital and additional paid-in capital	*2,063*	*2,061*	*1,880*	*23a*
Consolidated reserves	*9,625*	*8,896*	*9,038*	*23a*
Gains and losses recognized directly in equity	*91*	*- 1,078*	*- 414*	*23c*
Net income for the year	930	852		
Shareholders' equity - Minority interests	**3,338**	**3,070**	**3,151**	
Total liabilities and shareholders' equity	**397,205**	**382,358**	**375,403**	

1. After taking account of the revised IAS19 and the accounting treatment of the investment in Banco Popular Español (see Note 1.1).

Consolidated income statement (IFRS) for the year ended December 31, 2012
(in € millions)

	2012	2011 restated[1]	Notes IFRS
Interest income	15,229	14,844	25
Interest expense	- 12,073	- 10,468	25
Fee and commission income	2,696	2,833	26
Fee and commission expense	- 753	- 841	26
Net gain (loss) on financial instruments at fair value through profit or loss	886	24	27
Net gain (loss) on available-for-sale financial assets	243	- 99	28
Income from other activities	10,762	9,344	29
Expenses on other activities	- 8,831	- 7,898	29
Net banking income	**8,159**	**7,740**	
Operating expenses	- 4,851	- 4,618	30a, 30b
Depreciation, amortization and impairment of non-current assets	- 289	- 284	30c
Gross operating income	**3,019**	**2,838**	
Net additions to/reversals from provisions for loan losses	- 962	- 1,336	31
Operating income	**2,057**	**1,503**	
Share of net income (loss) of associates	- 131	42	15
Gains (losses) on other assets	12	102	32
Change in value of goodwill	- 27	- 9	33
Net income before tax	**1,910**	**1,637**	
Corporate income tax	- 711	- 552	34
Net income	**1,200**	**1,086**	
Net income attributable to minority interests	270	233	
Net income attributable to the Group	**930**	**852**	
Earnings per share (in €)[2]	**35.07**	**32.44**	**35**

1. After taking account of the revised IAS19 and the accounting treatment of the investment in Banco Popular Español (see Note 1.1).
2. Basic and diluted earnings per share were identical.

Net income and gains and losses recognized directly in shareholders' equity

In € millions	2012	2011 restated[1]	Notes IFRS
Net income	**1,200**	**1,086**	
Translation adjustments	2	- 5	
Remeasurement of available-for-sale financial assets	1,428	- 730	
Remeasurement of hedging derivative instruments	6	- 16	
Remeasurement of non-current assets	0	0	
Actuarial gains and losses on defined benefit plans	- 75	- 14	
Share of unrealized or deferred gains and losses of associates	- 19	- 13	
Total gains and losses recognized directly in shareholders' equity	**1,341**	**- 778**	**23c, 23d**
Net income and gains and losses recognized directly in shareholders' equity	**2,541**	**307**	
attributable to the Group	2,099	125	
attributable to minority interests	442	182	

The items relating to gains and losses recognized directly in shareholders' equity are presented net of tax effects.
Net income and gains and losses recognized directly in shareholders' equity.
1. After taking account of the revised IAS19 and the accounting treatment of the investment in Banco Popular Español (see Note 1.1).

Consolidated statement of changes in shareholders' equity (in € millions)

	Capital stock	Additional paid-in capital	Consolidated reserves[1]
Shareholders' equity at January 1, 2011	**1,302**	**578**	**7,509**
Restatements related to change in IAS19-R accounting method			9
Restatements related to recognition of investment in Banco Popular Español			115
Shareholders' equity at January 1, 2011, restated	**1,302**	**578**	**7,634**
Appropriation of earnings from previous year			1,405
Capital increase	23	158	
Distribution of dividends			
Sub-total: movements arising from shareholder relations	**23**	**158**	**1,405**
Net income for the year			
Change in fair value of available-for-sale assets			
Change in actuarial gains and losses			
Sub-total			
Translation adjustments			15
Impact of changes in Group structure			- 160
Other movements	0	0	2
Shareholders' equity at December 31, 2011, restated	**1,325**	**736**	**8,896**
Shareholders' equity at January 1, 2012	**1,325**	**736**	**8,896**
Appropriation of earnings from previous year			852
Capital increase	2		
Distribution of dividends			- 52
Sub-total: movements arising from shareholder relations	**2**		**800**
Net income for the year			
Change in fair value of available-for-sale assets			
Change in actuarial gains and losses			
Translation adjustments			
Sub-total			
Impact of changes in Group structure			- 71
Other movements	0	0	0
Shareholders' equity at December 31, 2012	**1,327**	**736**	**9,625**

1. Reserves at December 31, 2012 include a legal reserve of €132 million, regulatory reserves for a total of €1,477 million and other reserves amounting to €8,016 million.

Gains and losses recognized directly in equity				Net income attributable to the Group	Shareholders' equity attributable to the Group	Minority interests	Total consolidated shareholders' equity
Translation adjustments	Available-for-sale financial assets	Hedging derivative instruments	Actuarial gains and losses				
	- 275	**- 89**		**1,405**	**10,430**	**3,151**	**13,581**
			- 51		- 42		- 42
					115		115
	- 275	**- 89**	**- 51**	**1,405**	**10,504**	**3,151**	**13,655**
				- 1,405			
					181		181
						- 153	- 153
				- 1,405	**181**	**- 153**	**28**
				852	852	233	1,086
	- 698	- 17			- 715	- 49	- 764
			- 12		- 12	- 2	- 14
	- 698	**- 17**	**- 12**	**852**	**126**	**182**	**308**
					15	3	18
- 14	54	24			- 96	- 112	- 208
0	0	0			1	- 1	0
- 14	**- 919**	**- 82**	**- 63**	**852**	**10,731**	**3,070**	**13,801**
- 14	**- 919**	**- 82**	**- 63**	**852**	**10,731**	**3,070**	**13,801**
				- 852			
					2		2
					- 52	- 132	- 184
				- 852	**- 50**	**- 132**	**- 182**
				930	930	270	1,200
	1,236	2			1,238	177	1,415
			- 72		- 72	- 3	- 75
3					3	- 1	2
3	**1,236**	**2**	**- 72**	**930**	**2,099**	**442**	**2,541**
					- 71	- 42	- 113
0	0	0			0	0	0
- 11	**317**	**- 80**	**- 135**	**930**	**12,709**	**3,338**	**16,047**

Consolidated statement of cash flows for the year ended December 31, 2012

	Dec. 31, 2012	Dec. 31, 2011 restated*
Net income	1,200	1,085
Corporate income tax	711	552
Income before income tax	**1,910**	**1,637**
+/- Net depreciation/amortization expense on property, equipment and intangible assets	301	282
- Impairment of goodwill and other non-current assets	18	33
+/- Net additions to/reversals from provisions and impairment losses	- 407	555
+/- Share of net income/loss of associates	71	- 17
+/- Net loss/gain from investment activities	266	- 131
+/- Income/expense from financing activities	0	0
+/- Other movements	- 1,116	754
= Total non-monetary items included in income before tax and other adjustments	**- 867**	**1,475**
+/- Cash flows relating to interbank transactions	2,398	6,228
+/- Cash flows relating to customer transactions	8,232	4,560
+/- Cash flows relating to other transactions affecting financial assets and liabilities	1,334	- 17,502
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	3,944	- 3,631
- Corporate income tax paid	- 478	- 642
= Net decrease/increase in assets and liabilities from operating activities	**15,430**	**- 10,988**
Net cash flows from (used in) operating activities	**16,474**	**- 7,876**
+/- Cash flows relating to financial assets and investments in non-consolidated companies	4,649	- 4,974
+/- Cash flows relating to investment property	- 321	- 104
+/- Cash flows relating to property, equipment and intangible assets	- 193	- 76
Net cash flows from (used in) investing activities	**4,135**	**- 5,154**
+/- Cash flows relating to transactions with shareholders	- 182	28
+/- Other cash flows relating to financing activities	4,564	7,317
Net cash flows from (used in) financing activities	**4,381**	**7,344**
Impact of movements in exchange rates on cash and cash equivalents	**- 7**	**103**
Net increase (decrease) in cash and cash equivalents	**24,983**	**- 5,582**
Net cash flows from (used in) operating activities	16,474	- 7,876
Net cash flows from (used in) investing activities	4,135	- 5,154
Net cash flows from (used in) financing activities	4,381	7,344
Impact of movements in exchange rates on cash and cash equivalents	- 7	103
Cash and cash equivalents at beginning of year	**- 10,387**	**- 4,805**
Cash accounts and accounts with central banks and post office banks	5,147	6,499
Demand loans and deposits - credit institutions	- 15,534	- 11,304
Cash and cash equivalents at end of period	**14,597**	**- 10,387**
Cash accounts and accounts with central banks and post office banks	9,086	5,147
Demand loans and deposits - credit institutions	5,511	- 15,534
Change in cash and cash equivalents	**24,983**	**- 5,582**

* After taking account of the revised IAS19 and the accounting treatment of the investment in Banco Popular Español (see Note 1.1).

Notes to the consolidated financial statements

Note 1 Accounting principles and methods

Note 1.1 Accounting reference framework

Pursuant to regulation (EC) 1606/2002 on the application of international accounting standards and regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year ended December 31, 2012 have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2012. These standards include IAS 1 to 41, IFRS 1 to 8 and any SIC and IFRIC interpretations adopted at that date. Standards not adopted by the European Union have not been applied. The financial statements are presented in accordance with CNC recommendation 2009-R.04.

All IAS and IFRS were updated on November 3, 2008 by regulation 1126/2008, which replaced regulation 1725/2003. The entire framework is available on the European Commission's website at: http://ec.europa.eu/internal market/accounting/ias/index en.htm

The information on risk management required by IFRS 7 is shown in a specific section of the management report.

IAS 19R on employee benefits published in the Official Journal of the European Union dated June 5, 2012, application of which is mandatory as from January 1, 2013, has been applied early as from January 1, 2012.

The impacts of this early application of IAS 19R as of 12/31/2011 are shown in the table below:

	Impacts of first-time application
Deferred tax assets	+ 19
Provisions for pension costs	+ 53
Shareholders' equity attributable to the Group	- 32
Consolidated reserves	*+ 10*
Unrealized or deferred gains and losses	*- 63*
Net income for the year	*+ 21*
Shareholders' equity - Non-controlling interests	- 2

The impacts mainly concern retirement bonuses. The impacts on long-service awards and closed supplementary pension schemes are considered non-material.

At January 1, 2011, the impacts were as follows: Deferred tax assets + 23, provisions for pension costs + 65, consolidated reserves + 9 and unrealized or deferred gains and losses - 51.

Conversion adjustments on foreign entities expressed in foreign currencies were reclassified at 12/31/2011 with the following impact: consolidated reserves - 20, unrealized or deferred gains and losses + 20.

• Accounting treatment of long-term equity investment in Banco Popular Español - Correction of error

The Group's investment in Banco Popular Español (BPE) is recognized using the equity method for the first time with these financial statements, given the existence of significant influence between the Group and BPE. This significant influence is reflected in particular in the representation on the BPE Board of Directors, the existence of commercial agreements between the Crédit Mutuel networks in France and the BPE networks in Spain and Portugal, as well as a partnership in a banking joint venture in Spain.

These ties have been established since the end of 2010, such that this change is recognized for accounting purposes as a correction of an error in accordance with IAS 8. The impacts on the statement of financial position at year-end 2011 of the recognition of the investment in BPE using the equity method are as follows (in € million):

	Restatement impact
Available-for-sale financial assets	- 248
Equity-accounted investments	+ 388
Shareholders' equity attributable to the Group	+ 140
Consolidated reserves	*+ 82*
Unrealized or deferred gains and losses	*+ 43*
Net income for the year	*+ 14*

In the 2011 income statement, the restatement involves a €26.8 million increase in the line item "Share of net income of associates" and a €12.6 million reduction in the line item "Net gain (loss) on available-for-sale financial assets", i.e. a €14.2 million positive net impact on net income.

At January 1, 2011, the impacts were as follows: Available-for-sale financial assets -266, investments in associates +381, consolidated reserves +115.

The fair value of the investment in BPE pursuant to paragraph 37 of IAS 28 using stock market prices was €215.5 million at the end of December 2012. An impairment test of the investment relative to its estimated value in use was performed at the end of the year, in accordance with the provisions of IAS 39 and IAS 36, resulting in no impairment charge at December 31, 2012.

• Standards and interpretations not yet applied

	Mandatory application date (years beginning from)	Consequences of application
Amendment IAS 1 - Presentation of details of OCI	01/01/2013	Limited
Amendment IFRS 7 - Offsetting of financial assets and liabilities	01/01/2013	Limited
Amendment IAS 32 - Offsetting of financial assets and liabilities	01/01/2014	Limited
IFRS 10-11-12 - IAS 28 - Standards related to the consolidation and financial information of non-consolidated entities	01/01/2014	Limited
IFRS 13 - Fair Value Measurement	01/01/2013	Limited

Note 1.2 Scope and basis of consolidation

• Scope of consolidation

The general principles for the inclusion of an entity in the consolidation scope are defined in IAS 27, IAS 28 and IAS 31.

The consolidation scope comprises:

– **Entities under exclusive control:** exclusive control is considered as being exercised in cases where the Group holds a majority of the shares, directly or indirectly, and either the majority of the voting rights or the power to appoint the majority of members of the board of directors, executive board or supervisory board, or when the Group exercises a dominant influence. Entities that are controlled exclusively by the Group are fully consolidated.

– **Entities under joint control:** joint control is exercised by virtue of a contractual agreement, and is the shared control of an economic activity, irrespective of the structure or form under which that activity is conducted. Jointly controlled companies are consolidated using the proportional method.

– **Entities over which the Group exercises significant influence:** these are the entities that are not controlled by the consolidating entity, but in which the Group has the power to participate in determining their financial and operating policies. The share capital of the entities in which the Group exercises a significant influence is consolidated using the equity method.

Entities controlled by the Group or over which it exercises significant influence and which are not material in relation to the consolidated financial statements are not consolidated. This situation is presumed if the total statement of financial position or the income statement of an entity represents less than 1% of the related consolidated or sub-consolidated (if applicable) totals. This is a purely relative criterion: an entity may be included in the consolidated group regardless of the 1% threshold if it is regarded as a strategic investment given its activity or its development.

Special purpose entities (SPE) are consolidated if they meet the conditions for consolidation set out in SIC 12 (where the activities are conducted exclusively on behalf of the Group; the Group has the decision-making or management powers to obtain the majority of the benefits of the ongoing operations of the SPE; the Group has the capacity to benefit from the SPE; the Group retains the majority of the risks related to the SPE).

Shareholdings owned by private equity companies over which joint control or significant influence is exercised are excluded from the scope of consolidation and their value is accounted for under the fair value option.

Changes in the scope of consolidation

Changes in the scope of consolidation as of December 31, 2012 were as follows:

Additions to the scope of consolidation

– Banking network and network subsidiaries: Banco Popular Español, BECM Monaco.
– Insurance companies: Agrupacio AMCI, AMSYR, AMDIF, Assistencia Advancada Barcelona, Agrupacio Bankpyme Pensiones, Agrupacio Serveis Administratius, ACM RE.
– Other companies: Lafayette CLO, GEIE Synergie.

Mergers / acquisitions

Euro Protection Services with Euro Protection Surveillance, Laviolette Financement with Factocic, Procourtage with Atlancourtage, Pasche International Holding with Pasche Finance, SEHPL with EBRA, RL Voyages with GRLC, Cime et Mag with Les Editions de l'Echiquier, Sofiliest et Publicité Moderne with l'Est Républicain, Alsatic with AMP, Europe Régie, AME, SCI Roseau and SCI Ecriture with SFEJIC.

Removals from the scope of consolidation

Cofidis Romania, Pasche Fund Management Ltd, Pasche SA Montevideo, Serficom Investment Consulting (Shanghai) Ltd, Serficom Maroc Sarl, A Télé.

• Consolidation methods

The consolidation methods used are as follows:

Full consolidation

This method involves substituting for the value of the shares each of the assets and liabilities of each subsidiary and recognizing the interests of non-controlling shareholders in shareholders' equity and in the income statement. This method is applicable to all entities under exclusive control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating part.

Proportionate consolidation

This method involves the consolidation by the consolidating entity of the representative share of its interests in the accounts of the consolidated entity, after restatements if necessary, so that no allowance is made for non-controlling interests. This method is applicable to all entities under joint control, including entities that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party.

Consolidation using the equity method

This involves substituting for the value of the shares the Group's interest in the equity and in the earnings of the relevant entities. This method applies to entities over which the Group exercises significant influence.

• Closing date

All Group companies falling within the scope of consolidation have a December 31 closing date.

• Elimination of intercompany transactions

Intercompany transactions and the profits arising from transfers between Group entities that have a significant effect on the consolidated financial statements are eliminated.

Receivables, payables, reciprocal commitments, internal expenses and income are eliminated for entities subject to full and proportionate consolidation.

Translation of financial statements expressed in foreign currencies

The statements of financial position of foreign entities are translated into euro at the official year-end exchange rate. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Translation adjustments". Their income statements are translated into euros at the average exchange rate for the year (the Group considers that any differences between the average rate for the year and the rates applicable on each transaction date are immaterial), and the resulting differences are recorded under "Translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening statement of financial position as of January 1, 2004.

• Goodwill

Measurement differences

On taking control of a new entity, its assets, liabilities and any operating contingent liabilities are measured at fair value. Any difference between carrying amounts and fair value is recognized as goodwill.

Acquisition goodwill

In accordance with IFRS 3R, when the Bank acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Positive net effect of business combinations".

If the Group's stake in an entity it already controls increases/decreases, the difference between the acquisition cost/selling price of the shares and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the statement of financial position when it relates to fully-consolidated companies and under the heading "Investments in associates" when it relates to equity-accounted companies.

Goodwill does not include direct expenses associated with acquisitions, which are required to be expensed under IFRS 3R.

Goodwill is tested for impairment regularly and at least once a year. The tests are designed to identify whether goodwill has suffered a prolonged decline in value. If the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These impairment losses on goodwill – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the Group's business lines.

Non-controlling interests

These correspond to interests that do not provide control, as defined in IAS 27, and incorporate those instruments representing current ownership interests that entitle the owner to a pro rata share of the net assets of the entity in the event of liquidation, and other equity instruments issued by the subsidiary and not owned by the Group.

Note 1.3 Accounting principles and methods

IFRS offer a choice of accounting methods for certain items. The main options adopted by the Group relate to the following:
– The valuation at fair value of certain liabilities issued by the company and not included in the trading book.
– The Group has opted for the principle of eligibility for fair value hedge accounting for macro-hedges established within the framework of asset-liability management concerning fixed income positions (including in particular customer sight deposits) as authorized by regulation no. 2086/2004 of the European Commission.
– The Group used the October 2008 amendment to IAS39 to reclassify certain financial instruments recognized at fair value as loans and receivables or as assets held-to-maturity. Reclassifications to available-for-sale assets are also possible.

Note 1.3.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended at the time of their acquisition or grant to be sold. They include loans granted directly by the Group or its share in syndicated loans, purchased loans and debt securities that are not listed on an active market. Loans and receivables are measured at fair value, which is usually the net amount disbursed at inception.

The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks. They are subsequently carried at amortized cost using the effective interest rate method (other than for loans and receivables carried at fair value by option).

Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.

The fair value of loans and receivables is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Note 1.3.2 Impairment of loans and receivables, financing commitments and financial guarantees given, and available-for-sale or held-to-maturity instruments

Individual impairment of loans

Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at the end of each reporting period. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Loans on which one or more installments are more than three months past due (six months in the case of real estate loans and nine months for local authority loans) are deemed to represent objective evidence of impairment. Likewise, an impairment loss is recognized when it is probable that the borrower will not be able to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

Impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses. Reversals of impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses for the portion relating to the change in risk and in net interest for the portion relating to the passage of time. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under "Provisions" in liabilities for financing and guarantee commitments.

Loan losses are recorded in losses and the corresponding impairments and provisions are written back.

Collective impairment of loans

Customer loans that are not individually impaired are risk-assessed on the basis of loans with similar characteristics. This assessment draws upon internal and external rating systems, the estimated probability of default, the estimated loss rate, and the amount of loans outstanding. Portfolio-based impairment is deducted from the carrying amount of the assets concerned, while any movements in impairment are included in "Net additions to/reversals from provisions for loan losses" in the income statement.

Note 1.3.3 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

Finance leases - lessor accounting

In accordance with IAS 17, finance lease transactions with non-Group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in:

– the recognition of a financial receivable due from the customer, reduced in line with the lease payments received;
– the breakdown of lease payments between principal repayments and interest, known as financial amortization;
– the recognition of an unrealized reserve, equal to the difference between:
  • the net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year;
  • the net carrying amount of the leased non-current assets;
  • the deferred tax provision.

Finance leases - lessee accounting

In accordance with IAS 17, assets acquired under finance leases are included in property and equipment and an amount due to credit institutions is recorded as a liability. Lease payments are broken down between principal repayments and interest.

Note 1.3.4 Acquired securities

The securities held are classified into the three categories defined in IAS 39, namely financial instruments at fair value through profit or loss, financial assets held to maturity, and financial assets available for sale.

Financial assets and liabilities at fair value through profit or loss

Classification

Financial instruments at fair value through profit or loss comprise:

1. financial instruments held for trading purposes, consisting mainly of instruments that:
   a. were acquired or incurred principally for the purpose of selling or repurchasing them in the near term; or
   b. are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   c. represent derivatives not classified as hedges.
2. financial instruments designated at inception as at fair value through profit or loss in accordance with the option provided by IAS 39, for which application guidance was given in the amendment published in June 2005. This option is designed to help entities produce more relevant information, by enabling:
   a. certain hybrid instruments to be measured at fair value without separating out embedded derivatives whose separate measurement would not have been sufficiently reliable;
   b. a significant reduction in accounting mismatches regarding certain assets and liabilities;
   c. a group of financial assets and/or liabilities to be managed and monitored for performance in accordance with a documented risk management or investment strategy on a fair value basis.

This Group used this option mainly in connection with insurance business units of account contracts in line with the treatment for liabilities, as well as the securities held in the private equity portfolio and certain debt securities with embedded derivatives.

Basis for recognition and measurement of related income and expenses

Financial instruments included in this category are recognized in the statement of financial position at fair value up to the date of their disposal. Changes in fair value and in interest received or accrued on fixed-income securities are taken to the income statement under "Net gain/ (loss) on financial instruments at fair value through profit or loss".

Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income. Fair value also incorporates an assessment of counterparty risk on these securities.

Fair value or market value

Fair value 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 value of an instrument upon initial recognition is generally its transaction price.

If the instrument is traded on an active market, the best estimate of fair value is the quoted price.

The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price, and for an asset to be acquired or liability held, the ask price.

When the bank has assets and liabilities with offsetting market risks, the net position is valued at the bid price for a net asset held or a net liability to be issued and at the ask price for a net asset to be acquired or liability held. A market is deemed to be active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions in very similar instruments carried out on an arm's length basis.

If the market for a financial instrument is not active, fair value is established using a valuation technique.

Derivatives are remeasured based on available observable market data such as yield curves to which the bid/ask price is then applied.

A multi-criteria approach is adopted to determine the value of securities held in the private equity portfolio, backed by historical experience of valuing unlisted companies.

Criteria for classification and rules of transfer

Market conditions may cause the Crédit Mutuel Group to review its investment and management strategy of these securities. Thus, when it appears inappropriate to sell securities initially acquired for the purpose of selling them in the near term, these securities may be reclassified under the specific provisions provided for by the October 2008 amendment to IAS 39. Transfers to "Available for sale financial assets" or "Held to maturity financial assets" categories are authorized in exceptional circumstances. Transfers to the "Loans and receivables" category are contingent upon the Group's intention and ability to retain ownership of such securities in the foreseeable future or until maturity. The purpose of these portfolio transfers is to better reflect the new intention to manage these instruments, and to give a more faithful picture of their impact on the Group profit or loss.

Available-for-sale financial assets

Classification

Available-for-sale financial assets are financial assets that have not been classified as "loans and receivables","held-tomaturity financial assets" or "financial assets at fair value through profit or loss".

Basis for recognition and measurement of related income and expenses

Available-for-sale financial assets are carried at fair value until disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized or deferred gains or losses recognized in equity are only transferred to the income statement in the event of disposal or a lasting impairment in value. On disposal or recognition of a lasting impairment in value, the unrealized gains and losses recorded in equity are transferred to the income statement under "Net gain/ (loss) on available-for-sale financial assets". Purchases and sales are recognized at the settlement date.

Income received or accrued from fixed-income available-for-sale securities is recognized in the income statement under "Interest income". Dividend income relating to variable-income available-for-sale securities is taken to income under "Net gain/ (loss) on available-for-sale financial assets".

Impairment of available-for-sale debt instruments

Impairment losses are recognized in "Net additions to/reversals from provisions for loan losses" and are reversible. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Impairment of available-for-sale equity instruments

An equity instrument is impaired when there is objective evidence of impairment, either in the event of a) a significant or lasting decline in the fair value to below cost; or b) information regarding significant changes that have a negative impact and have arisen in the technological environment prevailing in the economic or legal market in which the issuer operates and which indicates that the cost of the investment may not be recovered.

In the case of an equity instrument, the loss of at least 50% of its value compared with its acquisition cost or a loss of value lasting more than 36 consecutive months implies an impairment. Such instruments are analyzed on a line-by-line basis. Judgment must also be exercised for securities that do not meet the above criteria but for which it is considered that recovery of the amount invested in the near future cannot reasonably be expected.

Impairment is recognized under "Net gain/ (loss) on available-for-sale financial assets" and is irreversible so long as the instrument is carried in the statement of financial position. Any subsequent impairment is also recognized in the income statement. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Criteria for classification and rules of transfer

Fixed-income securities may be reclassified:

– Into "Held-to-maturity financial assets" in the event of a change in the management intention, and provided that they fulfill the eligibility conditions of this category;

– Into "Loans and receivables" in the event of a change in the management intention, the ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category;

In the event of transfer, the fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost. No gain or loss recognized before the date of transfer can be written back.

In the event of a transfer of instruments with a fixed maturity from "Available-for-sale financial assets" to the "Held-to-maturity financial assets" or "Loans and receivables" categories, the unrealized gains and losses previously deferred in equity are amortized over the remaining life of the asset. In the case of a transfer of instruments without a fixed maturity date to the "Loans and receivables" category, the previously deferred unrealized gains and losses remain in equity until the disposal of the securities.

Held-to-maturity financial assets

Classification

Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity, other than those that the Group has designated at fair value through profit or loss or as available for sale. The positive intention and ability to hold to maturity are assessed at the end of each reporting period.

Basis for recognition and measurement of related income and expenses

Held-to-maturity investments are recognized at fair value upon acquisition. Transaction costs are deferred and included in the calculation of the effective interest rate, unless they are not material in which case they are recognized immediately through profit or loss.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, which builds in the actuarial amortization of premiums and discounts corresponding to the difference between the purchase price and redemption value of the asset.

Income earned from this category of investments is included in “Interest income” in the income statement.

Impairment

Should a credit risk arise, impairment on held-to-maturity financial assets is calculated in the same way as for loans and receivables.

Criteria for classification and rules of transfer

This category includes fixed or determinable income securities, with a fixed maturity date, and which the Crédit Mutuel Group has the intention and ability to hold until maturity.

Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39. Furthermore, disposals or transfers of securities in this portfolio are very restricted, due to the provisions laid down in IAS 39; breaching this rule would entail the declassification of the whole portfolio at the Group level, and forbid access to this category for two years.

Fair value hierarchy of financial instruments

There are three levels of fair value of financial instruments, as defined by IFRS 7:

– level 1: prices quoted on active markets for identical assets or liabilities;

– level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices);

– level 3: data relating to the asset or liability that are not based on observable market data (non-observable data).

Derivatives and hedge accounting

Financial instruments at fair value through profit or loss - derivatives

A derivative is a financial instrument:

– whose fair value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, credit rating or credit index, or other variable – sometimes called the “underlying”;

– which requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts exhibiting a similar response to changes in market factors;

– which is settled at a future date.

Derivatives are classified as financial instruments held for trading except when they are part of a designated hedging relationship.

Derivatives are recorded in the statement of financial position under financial instruments at fair value through profit or loss. Changes in fair value and interest accrued or payable are recognized in “Net gain/ (loss) on financial instruments at fair value through profit or loss”.

Derivatives qualifying for hedge accounting in accordance with IAS 39 are classified as “fair value hedges” or “cash flow hedges”, as appropriate. All other derivatives are classified as trading assets or liabilities, even if they were contracted for the purpose of hedging one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

Embedded derivatives are separated from the host contract and accounted for as a derivative at fair value through profit or loss provided that they meet the following three conditions:

– the hybrid instrument is not measured at fair value through profit or loss;

– the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

– the separate measurement of the embedded derivative is sufficiently reliable to provide useful information.

Financial instruments at fair value through profit or loss - derivatives - structured products

Structured products are products created by bundling basic instruments – generally options – to exactly meet client needs. There are various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, lookback options, options on several assets and index swaps. There are three main methods of valuing these products: methods consisting of solving a partial differential equation, discrete time tree methods and Monte Carlo methods. The first and third methods are used. The analytical methods used are those applied by the market to model the underlyings.

The valuation parameters applied correspond to observed values or values determined using a standard observed values model at the end of the reporting period. If the instruments are not traded on an organized market, the valuation parameters are determined by reference to the values quoted by the most active dealers in the corresponding products or by extrapolating quoted values. All these parameters are based on historical data. The parameters applied to measure the value of unquoted forward financial instruments are determined using a system that provides a snapshot of market prices. Every day, at a fixed time, the bid and ask prices quoted by several market players, as displayed on the market screens, are recorded in the system. A single price is fixed for each relevant market parameter.

Certain complex financial instruments – mainly customized equity barrier options with single or multiple underlyings presenting low levels of liquidity and long maturities – are measured using internal models and valuation inputs such as long volatilities, correlations, and expected dividend flows where no observable data can be obtained from active markets. Upon initial recognition, these complex financial instruments are recorded in the statement of financial position at their transaction price, which is deemed to be the best indication of fair value even though the result of the model-based valuation may differ. The difference between the price at which a complex instrument is traded and the value obtained from internal models, which generally represents a gain, is known as “day one profit”. IFRS prohibit the recognition of a margin on products valued using models and parameters that are not observable on active markets. The margin is therefore deferred. The margin realized on options with a single underlying and no barrier is recognized over the life of the instrument. The margin on products with barrier options is recognized upon maturity of the structured product, due to the specific risks associated with the management of these barriers.

Hedge accounting

IAS 39 permits three types of hedging relationship. The hedging relationship is selected on the basis of the type of risk being hedged. A fair value hedge is a hedge of the exposure to changes in fair value of a financial asset or liability and is mainly used to hedge the interest rate risk on fixed-rate assets and liabilities and on demand deposits, as permitted by the European Union. A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a financial asset or liability, firm commitment or highly probable forecast transaction. Cash flow hedges are used in particular for interest rate risk on variable-rate assets and liabilities, including rollovers, and for foreign exchange risk on highly probable foreign currency revenues. Hedges of a net investment in a foreign operation are a special type of cash flow hedge.

At the inception of the hedge, the Group documents the hedging relationship, i.e. that between the item being hedged and the hedging instrument. This documentation describes the management objectives of the hedging relationship, as well as the type of risk covered, the hedged item and hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Hedge effectiveness is assessed at the inception of the hedge and subsequently at least at the end of each reporting period.

The ineffective portion of the hedge is recognized in the income statement under “Net gain/ (loss) on financial instruments at fair value through profit or loss”.

Fair value hedging instruments

The portion corresponding to the rediscounting of a derivative financial instrument is recorded in the income statement under the line item “Interest income, interest expense and equivalent – Hedging derivative instruments”, symmetrically to the interest income or expenses relating to the hedged item.

In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss, under the line item “Net gain (loss) on financial instruments at fair value through profit or loss” symmetrically to the remeasurement of the hedged item to reflect the hedged risk through profit or loss. This rule also applies if the hedged item is accounted for at amortized cost or if it is a financial asset classified as available for sale. If the hedging relationship is perfectly effective, the fair value change in the hedging instrument offsets the change in fair value of the hedged item.

The hedge must be considered as “highly effective” to qualify for hedge accounting. The change in fair value or cash flows attributable to the hedging instrument must practically offset the change in the hedged item’s fair value or cash flows. The ratio between those two changes must lie within the range of 80% and 125%.

If the hedging relationship is interrupted, or the effectiveness criteria are not fulfilled, the hedge accounting ceases to be applied on a prospective basis. Hedge derivatives are reclassified as trading instruments and are recognized as per the principles applied to that category. The value of the hedged element in the statement of financial position is subsequently not adjusted to reflect changes in fair value, and the cumulative adjustments related to the hedge are amortized over the remaining life of the hedged item. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is immediately recognized in income.

Fair value hedging instruments - interest rate risk

The amendments introduced by the European Union to IAS 39 in October 2004 make it possible to include customer demand deposits in fixed rate liability portfolios.

For each portfolio of assets or liabilities, the bank checks that there is no excess hedging, and does so by pillar business line and at each reporting date.

The liability portfolio is scheduled over time, under the estimates for future cash flows defined by the ALM unit. Changes in fair value of the interest rate risk on the hedged instrument portfolios are recorded in a special line item of the statement of financial position called “Remeasurement adjustment on investments hedged against interest rate risk”, the counterpart being an income statement line item.

Cash flow hedging instruments

In the case of a cash flow hedge relationship, the gains or losses on effective hedging instruments are recognized in shareholders’ equity under the line item “Unrealized or deferred gains and losses relating to cash flow hedging derivatives”, while the ineffective portion is recognized in the income statement under the “Net gains and losses on financial instruments at fair value through profit or loss” heading.

The amounts recognized in shareholders’ equity are carried to the income statement under the “Interest income, interest expense and equivalent” heading, at the same rate as the cash flows of the hedged item affect the income statement. The hedged items remain recognized in accordance with the specific provisions for their accounting category.

If the hedging relationship is interrupted, or if the effectiveness criteria are not fulfilled, the hedge accounting ceases to be applied. Cumulative amounts recognized in shareholders’ equity as a result of the remeasurement of a hedging derivative remain recognized in equity until the hedged transaction affects earnings or when it becomes apparent that the transaction will not take place. These amounts are subsequently carried to the profit and loss account.

Reclassifications of debt instruments

Fixed income securities or debt instruments valued at fair value through profit or loss can be reclassified into the following categories:

a. “Financial assets held to maturity”, only in rare cases, if management’s intention has changed, and provided that they fulfill the eligibility conditions of this category;
b. “Loans and receivables” in the event of a change in management’s intention or ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category;

c. “Available for sale” only in rare cases.

Fixed income securities or debt instruments available for sale may be reclassified into the following categories:

a. “Financial assets held to maturity”, in the event of a change in management’s intention or ability, and provided that they fulfill the eligibility conditions of this category;

b. “Loans and receivables”, in case the Group has the intention and ability to hold the financial assets in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category.

In the event of a reclassification, the fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost. No gain or loss recognized before the date of transfer can be derecognized.

In the event of a transfer of debt instruments with a fixed maturity from the category “Financial assets available for sale” to the “Financial assets held to maturity” or “Loans and receivables” categories, the unrealized gains and losses, previously deferred in equity are amortized over the remaining life of the asset. In case of a reclassification of debt instruments with no fixed maturity to the “Loans and receivables” category, the previously deferred unrealized gains and losses remain in equity until the disposal of the securities.

Note 1.3.5 Debt represented by a security

Debts evidenced by certificates (certificates of deposit, interbank market securities, bonds, etc.), not classified under the fair value option, are accounted for at their issue value, in most cases minus the transaction costs.

These debt securities are subsequently measured at amortized cost using the effective interest method.

Some “structured” debt instruments may include embedded derivatives. These embedded derivatives are separated from the host contracts if the separation criteria are satisfied and they can be valued reliably.

The host contract is recognized at amortized cost at a later stage. Its fair value is determined based on quoted market prices or valuation models.

Note 1.3.6 Subordinated debt

Term or perpetual subordinated debt is separated from debt securities, because their redemption, should the debtor enter liquidation, is only possible after all the other creditors have been paid. Such debt is valued at amortized cost.

Note 1.3.7 Distinction between Debt and Shareholders’ equity

According to the IFRIC 2 interpretation, shares owned by member-shareholders are equity if the entity has an unconditional right to refuse redemption, or if there are legal or statutory provisions prohibiting or seriously restricting redemption. In view of the existing legal or statutory provisions, the shares issued by the structures making up the consolidating entity of the Crédit Mutuel Group are recognized in equity.

The other financial instruments issued by the Group qualify as debt instruments for accounting purposes, where there is a contractual obligation for the Group to provide cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

Note 1.3.8 Provisions

Additions to and reversals from provisions are classified according to the nature of the corresponding income and expense items. The provision is shown within liabilities on the statement of financial position.

A provision is recognized when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted, where appropriate, to determine the amount of the provision.

The provisions made by the Group cover in particular:

– Legal risk;
– Social commitments;
– Execution risk on off-statement of the financial position commitments;
– Litigation risk and guarantee commitments given;
– Tax risks;
– Risks related to home savings accounts and plans.

Note 1.3.9 Amounts due to customers and credit institutions

Debt securities include fixed-or determinable income financial liabilities. They are recognized at their market value when they are posted to the statement of financial position, and are subsequently valued at reporting date at amortized cost using the effective interest method, except for those that have been recognized under the fair value option.

Regulated savings contracts

The “comptes épargne logement” (CEL – home savings accounts) and “plans épargne logement” (PEL - home savings plans) are products regulated by French law, which are available to customers (natural persons). These products combine a stage of interest-bearing savings, which give right to a preferential housing loan in a second stage. They generate two types of commitments for the distributing institution:

– A commitment to pay future interest on the amounts deposited as savings at a fixed rate for the PEL and variable-rate equivalent for the CEL (periodically revised on the basis of an indexation formula);
– A commitment to grant a loan to the customers who request it at predetermined conditions (both for the PEL and the CEL).

These commitments have been estimated on the basis of customer behavior statistics and market inputs. A provision has been made on the liabilities side of the statement of financial position to cover future charges related to the potentially unfavorable conditions of such products, compared to the interest rates offered to individual customers for similar products, but not regulated in terms of their interest rate. This approach results in the generation of homogeneous regulated terms for the PEL and the CEL. The impact on the income statement is recognized as "Interest paid to customers".

Note 1.3.10 Cash and cash equivalents

Cash and cash equivalents consolidate the cash accounts, deposits and demand loans and borrowings relating to central banks and credit institutions.

In the statement of cash flows, UCITS are classified as an "operational activity" and therefore do not need to be reclassified.

Note 1.3.11 Employee benefits

Since January 1, 2012, employee benefits have been recognized in accordance with IAS 19-R applied early. The new provisions result in the following:

– for defined benefit post-employment benefits, the immediate recognition of actuarial variances as unrealized or deferred gains or losses in equity and the immediate recognition of plan changes through profit or loss, the application to the plan's assets of the discount rate used for the debt and more detailed information provided in the notes;

– for short-term benefits, a new definition for benefits expected to be paid in full within the 12 months following the end of the year in which the related services were rendered (and no longer "payable within the 12 months…").

Social obligations are subject, where relevant, to a provision reported under the line item "Provisions". A change in this item is recognized in the income statement under the "Employee expense" heading, except for the portion resulting from actuarial variances, which is recognized as unrealized or deferred gains or losses in equity.

Defined benefit post-employment benefits

These benefits include retirement plans, early retirement pensions, and additional retirement plans, under which the Group has a formal or implicit liability to provide benefits promised to employees.

These obligations are calculated using the projected unit credit method, which involves awarding benefits to periods of service under the contractual formula for calculating the retirement plan benefits, subsequently discounted on the basis of demographic and financial assumptions, including:

– The discount rate, determined by reference to the long-term interest rates of high-quality corporate bonds, at year-end;

– The rate of wage increase, assessed according to the age group, the management/non-management category, and regional features;

– The rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;

– Rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations and dismissals over the total number of employees working in the company under non-fixed term contracts at the financial year-end;

– The age of retirement: an estimate is made by individual on the basis of real or estimated date of entry in the working life and assumptions related to the retirement reform legislation (Fillon law), with a maximum ceiling at age 67;

– The mortality according to INSEE (the French National Institute for Statistics and Economic Studies) TF 00-02 table.

The differences arising from changes in these assumptions and from the differences between previous assumptions and actual results represent actuarial variances. If the retirement plan has assets, these are valued at their fair value, and affect the income statement for the expected yield. The difference between the real and expected yield is also an actuarial variance.

Actuarial variances are recognized as unrealized or deferred gains or losses in equity. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

Supplementary benefits provided by pension funds

The AFB stepping stone agreement of September 13, 1993 modified the pension plans of credit institutions. Since January 1, 1994, all banks are members of the French pension plans of Arrco and Agirc. The four pension funds of which the Group's banks are members have been merged. They provide for the payment of the various charges required by stepping stone agreement, drawing on their reserves completed if necessary by additional annual contributions paid in by the member banks concerned and whose average rate over the next ten years is capped at 4% of the payroll expense. After the merger, the pension fund was transformed into an IGRS (public institution to manage additional retirement benefits) in 2009. It has no asset shortfall.

Other post-employment defined benefits

A provision is recognized for long service awards and supplementary retirement benefits, including special plans. They are valued on the basis of entitlements acquired by all the staff in active service, notably on the basis of staff turnover in the consolidated entities and the estimated future salaries and wages to be paid to the beneficiaries at the time of their retirement, increased where appropriate by social security contributions. The long service awards of the Group's banks in France are covered up to at least 60% by an insurance contract taken out with ACM Vie, an insurance company of the Crédit Mutuel Group, which is fully consolidated.

Defined contribution post-employment benefits

The Group's entities contribute to a number of pension plans managed by organizations that are independent from the Group, for which the entities have no additional formal or implicit payment obligation, in particular if the assets in the pension plans are not sufficient to meet liabilities.

As these plans do not represent obligations of the Group, they are not subject to a provision. The related expenses are recognized in the financial year in which the contributions must be paid.

Long-term benefits

These are benefits to be paid, other than post-employment benefits and termination benefits, which are expected to be paid more than 12 months after the end of the period during which the employee rendered the related service, for example long service awards, time savings accounts, etc.

The Group's obligation in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in the income statement for the accounting period, as the "corridor" method is not allowed.

Obligations in respect of long service awards are sometimes covered by insurance policies. A provision is established only for the uncovered part of these obligations.

Employee supplementary retirement plans

Employees of the Crédit Mutuel CM11 and CIC Groups benefit from, as a complement to the mandatory retirement plans, a supplementary retirement plan offered by ACM VIE SA.

Employees of the CM11 Group benefit from two supplementary retirement plans, one with defined contributions and the other with defined benefits. The rights under the defined contributions plan are vested even if the employee leaves the company, unlike the rights under the defined benefits plan which, in accordance with the new regulation, only vest definitively when the employee leaves the company to retire.

The total amount of the obligation was €773 million as of December 31, 2012, covered by technical reserves of €742 million and €46 million worth of mathematical reserves for defined benefit plans recognized on the liabilities side of the ACM VIE SA statement of financial position. These figures represent all the beneficiaries.

In addition to the mandatory retirement plans, CIC Group's employees benefit from a supplementary defined contribution plan from ACM Vie SA. The obligation relating to this plan amounted to €326 million as of December 31, 2012, covered by €340 million worth of special technical provisions recognized on the liabilities side of the ACM VIE SA statement of financial position, including all beneficiaries.

Termination benefits

These benefits are granted by the Group on termination of the contract before the normal retirement date, or following the employee's decision to accept voluntary termination in exchange for an indemnity. The related provisions are updated if their payment is to occur more than 12 months after the reporting date.

Short-term benefits

These are benefits which are expected to be paid within the 12 months following the end of the financial year, other than termination benefits, such as salaries and wages, social security contributions and a number of bonuses.

An expense is recognized relating to these short-term benefits for the financial year during which the service rendered to the Company has given rise to such entitlement.

Note 1.3.12 Insurance

The accounting principles and valuation rules of the assets and liabilities generated by the issuance of insurance policies have been drawn up in accordance with IFRS 4. This also applies to reinsurance policies, whether issued or subscribed, and to financial contracts including a discretionary profit-sharing clause.

The other assets held and liabilities issued by insurance companies follow the rules common to all of the Group's assets and liabilities.

Assets

Financial assets, investment properties and fixed assets follow the accounting methods described elsewhere.

However, financial assets representing technical provisions related to unit-linked contracts are shown under the line item "Financial assets at fair value through profit or loss".

Liabilities

Insurance liabilities, which represent liabilities to policyholders and beneficiaries, are shown under the line item "Technical reserves of insurance policies". They are measured, accounted for and consolidated as under the French standards.

Technical reserves of life insurance policies consist mainly of mathematical reserves, which generally correspond to the surrender value of the policies. The risks covered mainly include death, disability and incapacity for work (for borrower's insurance).

Technical reserves of unit-linked contracts are measured, on the reporting date, based on the realizable value of the assets underlying these contracts.

Reserves of non-life insurance policies correspond to unearned premiums (portion of premiums issued related to subsequent years) and claims payable.

Insurance policies that have a discretionary profit-sharing clause are subject to "shadow accounting". The resulting provision for deferred profit-sharing represents the share of capital gains and losses accruing to policyholders. These provisions for deferred profit-sharing are recognized on the assets or liabilities side, by legal entity and without compensation between entities in the scope of consolidation. On the assets side, these are recorded under a separate heading.

On the reporting date, the liabilities carried for these policies (net of other related asset or liability items such as deferred acquisition expenses and the value of the portfolios acquired) are tested to check that they are sufficient to cover the future cash flows estimated at this date. Any shortfall in technical provisions is recognized in income for the period (and may be reversed at a later stage).

Income statement

Income and expenses recognized for the insurance policies issued by the Group are shown under the "Income from other activities" and "Expenses on other activities" line items.

Income and expenses pertaining to the proprietary trading activities of the insurance entities are recognized under the line items related to them.

Note 1.3.13 Property and equipment and intangible assets

Property and equipment and intangible assets shown in the statement of financial position comprise assets used in operations and investment property. Assets used in operations are those used in the provision of services or for administrative purposes. Investment property comprises assets held to earn rentals or for capital appreciation, or both. Investment property is accounted for at cost, in the same way as assets used in operations.

Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs incurred in the construction or adaptation of property assets are not capitalized.

Subsequent to initial recognition, property and equipment are measured using the historical cost method, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. CIC has adopted the component approach for property used in operations and investment property.

The depreciable amount is cost less residual value, net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.

Depreciation and amortization is calculated over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity. Intangible assets that have an indefinite useful life are not amortized.

Depreciation and amortization of assets used in operations is recognized in "Allowance / write-back of amortization and provisions for fixed operating assets" in the income statement.

Depreciation and amortization relating to investment properties is recognized in "Expenses of the other activities" in the income statement.

The depreciation and amortization periods are:

Property and equipment:

– Land, fixtures, utility services : 15-30 years
– Buildings – structural work : 20-80 years (depending on the type of building in question)
– Construction – equipment : 10-40 years
– Fixtures and installations : 5-15 years
– Office equipment and furniture : 5-10 years
– Safety equipment : 3-10 years
– Rolling stock : 3-5 years
– Computer equipment : 3-5 years

Intangible fixed assets:

– Software bought or developed in-house :1-10 years
– Businesses acquired : 9-10 years (if acquisition of customer contract portfolio)

Depreciable and amortizable assets are tested for impairment when there is evidence at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets (such as leasehold rights) are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. The carrying amount after reversal of the impairment loss cannot exceed the carrying amount which would have been calculated if no impairment had been recognized.

Impairment losses relating to operating assets are recognized in the income statement in "Depreciation, amortization and impairment of property, plant and equipment and intangible assets".

Impairment losses relating to investment properties are recognized in "Expenses on other activities" (for additional impairment losses) and "Income from other activities" (for reversals) in the income statement.

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in "Net gain/ (loss) on disposals of other assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

Note 1.3.14 Corporate income tax

This item includes all current or deferred income taxes.

Current income tax is calculated based on applicable tax regulations.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax basis, except for goodwill.

Deferred taxes are calculated using the liability method, based on the latest enacted tax rate applicable to future periods.

Net deferred tax assets are recognized only in cases where their recovery is considered highly probable. Current and deferred taxes are recognized as tax income or expense, except deferred taxes relating to unrealized or deferred gains and losses recognized in equity, for which the deferred tax is taken directly to equity.

Deferred tax assets and liabilities are offset when they arise within a single tax entity or tax group, are subject to the tax laws of the same country, and there is a legal right of offset.

They are not discounted.

Note 1.3.15 Interest paid by the French Government on some loans

Within the framework of aid to the rural and agricultural sector, as well as the purchase of residential property, some Group entities provide loans at low interest rates, set by the Government. Consequently, these entities receive from the government a contribution equal to the rate differential between the interest rate offered to customers and the predefined benchmark rate. Therefore, no discount is recognized in respect of the loans benefiting from these subsidies.

The structure of the offset mechanism is reviewed by the government on a periodic basis.

The contribution received from the government is recorded in the “Interest and similar income” line and spread over the life of the corresponding loans, pursuant to IAS 20.

Note 1.3.16 Financial guarantees and financing commitments given

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, these financial guarantees are still measured using French GAAP (i.e. as off-balance sheet items), pending an addition to the standards to enhance the current mechanism. Consequently, these guarantees are subject to a provision in liabilities in the event of a likely outflow of resources.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a non-financial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IAS 39. These guarantees are thus treated as derivatives.

Financing commitments that are not regarded as derivatives within the meaning of IAS 39 are not shown in the statement of financial position. However, a provision is made in accordance with IAS 37.

Note 1.3.17 Foreign exchange transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the year-end exchange rate.

Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under “Net gain/ (loss) on financial instruments at fair value through profit or loss”.

Non-monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement if the items are classified at fair value through profit or loss under “Net gain/ (loss) on financial instruments at fair value through profit or loss”, or under “Unrealized or deferred gains and losses” if they are classified as available-for-sale.

When consolidated investments denominated in a foreign currency are financed by a loan taken out in the same currency, the loan concerned is covered by a cash flow hedge.

Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of shareholders’ equity, under “Cumulative translation adjustment”. The income statements of foreign subsidiaries are translated into euro at the average exchange rate for the year, and the resulting translation differences are recorded under “Cumulative translation adjustment”. On liquidation or disposal of some or all of the interests held in a foreign entity, the corresponding portion of this cumulative translation adjustment is recognized through the income statement.

Note 1.3.18 Non-current assets held for sale and discontinued operations

A non-current asset (or group of assets) is classified in this category if it is held for sale and it is highly probable that the sale will occur within 12 months of the end of the reporting period.

The related assets and liabilities are shown separately in the statement of financial position, on the lines “Noncurrent assets held for sale” and “Liabilities associated with non-current assets held for sale”. Items in this category are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated/ amortized.

When assets held for sale or the associated liabilities become impaired, an impairment loss is recognized in the income statement.

Discontinued operations include operations that are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line “Post-tax gain/ (loss) on discontinued operations and assets held for sale”.

Note 1.3.19 Judgments made and estimates used in the preparation of the financial statements

Preparation of the financial statements may require the use of assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements.

This requires managers to draw upon their judgment and experience and make use of the information available at the date of preparation of the financial statements when making the necessary estimates. This applies in particular to:

– the impairment of debt and equity instruments,

– the use of calculation models when valuing financial instruments that are not listed on an active market and are classified in “Available-for-sale financial assets”, “Financial assets at fair value through profit or loss” or “Financial liabilities at fair value through profit or loss”;

– the assessment of the active nature of certain markets;

– calculation of the fair value of financial instruments that are not listed on an active market and are classified in “Loans and receivables” or “Held-to-maturity financial assets” for which this information must be provided in the notes to the financial statements;

– impairment tests performed on intangible fixed assets,

– measurement of provisions, including retirement obligations and other employee benefits.

Notes to the consolidated financial statements

The notes to the financial statements are presented in millions of euros.

Note 2 Analysis of statement of financial position and income statement items by activity and geographic region

The Group's activities are as follows:

– Retail banking brings together CIC's regional banks, Targobank Germany, Targobank Spain, Cofidis, Banco Popular Español, Banque Marocaine du Commerce Exterieur, Banque de Tunisie and all specialist activities the products of which are sold by the network: equipment and real estate leasing, factoring, collective investment, employee savings plans and real estate.
– The Insurance business line comprises the Assurances du Crédit Mutuel Group
– Financing and capital markets covers:
   a. financing for major corporations and institutional clients, specialized lending, international operations and foreign branches;
   b. capital markets activities in general, spanning customer and own account transactions involving interest rates instruments, foreign exchange and equities, including brokerage services.
– Private banking encompasses all companies specializing in this area, both in France and internationally.
– Private equity, conducted for the Group's own account, and financial engineering make up a business unit.
– Logistics and holding company services includes all activities that cannot be attributed to another business line (holding) and units that provide solely logistical support: intermediate holding companies, as well as specific entities and IT entities holding real estate used for operations.

Each consolidated company is included in only one business l ine, corresponding to its core business, on the basis of the contribution to the Group's results. The only exceptions are CIC and BFCM because of their presence across several business lines. As such, their income, expenses and statement of financial position balances are subject to an analytical distribution.

Note 2a Breakdown of the statement of financial position items by business line

Assets

December 31, 2012	Retail banking	Insurance
Cash, central banks, post office banks - Assets	1,980	
Financial assets at fair value through profit or loss	528	12,638
Hedging derivative instruments - Assets	740	
Available-for-sale financial assets	738	42,051
Loans and receivables due from credit institutions	5,655	230
Loans and receivables due from customers	143,721	262
Held-to-maturity financial assets	64	10,688
Equity-accounted investments	1,061	308

Liabilities

December 31, 2012	Retail banking	Insurance
Cash, central banks, post office banks - Liabilities		
Financial liabilities at fair value through profit or loss	529	4,359
Hedging derivative instruments - Liabilities	287	
Due to credit institutions	7,260	
Due to customers	105,168	85
Debt securities	32,586	

Assets

December 31, 2011 (restated)	Retail banking	Insurance
Cash, central banks, post office banks - Assets	1,376	0
Financial assets at fair value through profit or loss	128	11,158
Hedging derivative instruments - Assets	346	0
Available-for-sale financial assets	666	37,680
Loans and receivables due from credit institutions	3,398	12
Loans and receivables due from customers	141,522	217
Held-to-maturity financial assets	64	8,531
Equity-accounted investments	594	398

Liabilities

December 31, 2011 (restated)	Retail banking	Insurance
Cash, central banks, post office banks - Liabilities	0	0
Financial liabilities at fair value through profit or loss	80	1,858
Hedging derivative instruments - Liabilities	330	0
Due to credit institutions	5,829	(0)
Due to customers	96,391	81
Debt securities	32,660	0

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
5,593	750		1,106	9,429
27,750	142	1,784	249	43,091
157	4		1,713	2,614
16,955	3,385	19	422	63,570
52,517	2,573	6	9,722	70,703
14,196	7,529		67	165,775
251	2		588	11,593
			710	2,079

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
	343			343
25,886	196			30,970
1,977	399		100	2,763
27,217				34,477
7,216	15,758	1	6,636	134,864
60,936	21			93,543

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
1,490	985	0	1,579	5,430
23,380	150	1,804	255	36,875
290	4	0	459	1,099
21,650	3,755	8	365	64,125
59,658	2,946	9	32	66,055
16,441	7,124	0	53	165,358
362	6	0	5,413	14,377
(0)	1	0	1,092	2,084

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
0	282	0	0	282
28,858	133	0	0	30,928
2,656	461	0	(473)	2,974
43,286	(0)	(0)	0	49,114
6,176	14,609	0	8,889	126,146
53,965	36	0	13	86,673

Note 2b Breakdown of the income statement items by business line

December 31, 2012	Retail banking	Insurance
Net banking income	5,854	1,318
General operating expenses	- 3,748	- 335
Gross operating income	**2,106**	**983**
Net additions to/reversals from provisions for loan losses [1]	- 774	
Net gain (loss) on disposal of other assets	- 89	- 41
Net income before tax	**1,243**	**942**
Corporate income tax	- 457	- 374
Net income (loss)	**787**	**568**
Minority interests		
Net income attributable to the Group		

December 31, 2011 (restated)	Retail banking	Insurance
Net banking income	6,215	875
General operating expenses	- 3,642	- 332
Gross operating income	**2,573**	**544**
Net additions to/reversals from provisions for loan losses	- 781	- 41
Net gain (loss) on disposal of other assets	58	85
Net income before tax	**1,850**	**587**
Corporate income tax	- 606	- 173
Net income (loss)	**1,243**	**414**
Minority interests		
Net income attributable to the Group		

1. The disposal in 2012 of securities received in exchange for securities issued by the Greek government and contributed to the exchange offer under the Private Sector Involvement (PSI) plan, generated a negative impact of €30 million on this item, including - €34 million for the logistics and holding company business and + €4 million for the capital markets business.

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Interbusinesses	Total
927	464	100	- 446	- 58	8,159
- 288	- 334	- 34	- 458	58	- 5,140
639	**129**	**66**	**- 904**	**0**	**3,019**
- 85	- 29		- 75		- 962
- 1	6		- 22		- 146
554	**107**	**66**	**- 1,001**	**0**	**1,910**
- 193	- 27	2	338		- 711
361	**79**	**67**	**- 663**	**0**	**1,200**
					270
					930

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Interbusinesses	Total
885	432	93	- 704	- 55	7,740
- 256	- 317	- 34	- 378	55	- 4,902
630	**115**	**59**	**- 1,082**		**2,838**
- 149	- 43	- 0	- 322		- 1,336
0	13	0	- 21		135
481	**86**	**59**	**- 1,425**	**0**	**1,638**
- 180	- 18	- 2	427		- 552
301	**68**	**57**	**- 998**	**0**	**1,086**
					233
					852

Note 2c Breakdown of the statement of financial position items by geographic region

Assets

	December 31, 2012		
	France	Europe excluding France	Rest of the world[1]
Cash, central banks, post office banks - Assets	1,429	2,407	5,593
Financial assets at fair value through profit or loss	41,138	941	1,011
Hedging derivative instruments - Assets	2,601	4	9
Available-for-sale financial assets	57,985	4,905	680
Loans and receivables due from credit institutions	66,137	3,191	1,375
Loans and receivables due from customers	140,300	22,290	3,186
Held-to-maturity financial assets	11,591	2	0
Equity-accounted investments	824	705	550

Liabilities

Cash, central banks, post office banks - Liabilities	0	343	0
Financial liabilities at fair value through profit or loss	30,562	224	184
Hedging derivative instruments - Liabilities	2,316	401	45
Due to credit institutions	20,146	7,639	6,691
Due to customers	109,246	24,915	703
Debt securities	89,097	510	3,937

1. USA, Singapore, Tunisia and Morocco.

Note 2d Breakdown of the income statement items by geographic region

	December 31, 2012		
	France	Europe excluding France	Rest of the world[1]
Net banking income[2]	6,193	1,793	173
General operating expenses	- 3,802	- 1,266	- 72
Gross operating income	**2,391**	**526**	**101**
Net additions to/reversals from provisions for loan losses	- 556	- 360	- 46
Net gain (loss) on disposal of other assets[3]	- 10	- 106	- 30
Net income before tax	**1,825**	**60**	**25**
Net income	1,190	17	- 8
Net income attributable to the Group	**961**	**- 37**	**5**

1. USA, Singapore, Tunisia and Morocco.
2. In 2012, 27.9% of the Net banking income (excluding Logistics and holding business line) came from foreign operations.
3. Including net income of associates and impairment losses on goodwill.

	December 31, 2011 (restated)			
Total	**France**	**Europe excluding France**	**Rest of the world** [1]	**Total**
9,429	1,889	2,050	1,490	5,430
43,091	34,961	929	985	36,875
2,614	1,091	6	2	1,099
63,570	58,376	4,931	818	64,125
70,703	60,532	3,387	2,136	66,055
165,775	140,063	21,966	3,329	165,358
11,593	14,371	6	0	14,377
2,079	842	686	557	2,084

343	0	282	0	282
30,970	30,345	353	230	30,928
2,763	2,466	466	43	2,974
34,477	32,260	9,748	7,106	49,114
134,864	102,488	23,029	629	126,146
93,543	85,722	464	488	86,673

	December 31, 2011 (restated)			
Total	**France**	**Europe excluding France**	**Rest of the world** [1]	**Total**
8,159	5,631	1,861	249	7,740
- 5,140	- 3,592	- 1,242	- 68	- 4,902
3,019	**2,038**	**619**	**181**	**2,838**
- 962	- 904	- 429	- 3	- 1,336
- 146	59	30	46	135
1,910	**1 193**	**220**	**224**	**1,637**
1,200	778	159	148	1,085
930	**601**	**114**	**136**	**852**

Note 3 Scope of consolidation

	December 31, 2012			December 31, 2011		
	% Control	% Interest	Method[1]	% Control	% Interest	Method[1]
A. Banking network						
Banque du Crédit Mutuel Ile-de-France (BCMI)	100	100	FC	100	100	FC
Banque Européenne du Crédit Mutuel (formerly Banque de l'Economie du Commerce et de la Monétique)	96	96	FC	96	96	FC
CIC Est	100	93	FC	100	93	FC
CIC Iberbanco	100	100	FC	100	100	FC
CIC Lyonnaise de Banque (LB)	100	93	FC	100	93	FC
CIC Nord-Ouest	100	93	FC	100	93	FC
CIC Ouest	100	93	FC	100	93	FC
CIC Sud-Ouest	100	93	FC	100	93	FC
Crédit Industriel et Commercial (CIC)	93	93	FC	93	93	FC
Targobank AG & Co. KgaA	100	100	FC	100	100	FC
Targobank Spain	50	50	PC	50	50	PC
B. Banking network - subsidiaries						
Banca Popolare di Milano	7	6	EM	7	6	EM
Bancas	50	50	PC			NC
Banco Popular Español (see note 1b)	4	4	EM	5	5	EM
Banque de Tunisie	20	20	EM	20	20	EM
Banque du groupe Casino	50	50	PC	50	50	PC
Banque Européenne du Crédit Mutuel Monaco	100	96	FC			NC
Banque Marocaine du Commerce Extérieur (BMCE)	26	26	EM	25	25	EM
Cartes et crédits à la consommation (formerly C2C)	100	100	FC	100	43	FC
CM-CIC Asset Management	74	73	FC	74	73	FC
CM-CIC Bail	99	92	FC	99	92	FC
CM-CIC Epargne salariale	100	93	FC	100	92	FC
CM-CIC Factor (formerly Factocic)	96	88	FC	96	88	FC
CM-CIC Gestion	100	93	FC	100	93	FC
Crédit Mutuel-CIC Home Loan SFH	100	100	FC	100	100	FC
CM-CIC Laviolette Financement			MER	100	88	FC
CM-CIC Lease	100	96	FC	100	96	FC
CM-CIC Leasing Benelux	100	92	FC	100	92	FC
CM-CIC Leasing GmbH	100	92	FC	100	92	FC
Cofidis Argentina	66	28	FC	66	28	FC
Cofidis Belgium	100	43	FC	100	43	FC
Cofidis France	100	43	FC	100	43	FC
Cofidis Italy	100	43	FC	100	43	FC
Cofidis Czech Republic	100	43	FC	100	43	FC
Cofidis Slovakia	100	43	FC	100	43	FC
Creatis	100	43	FC	100	43	FC
FCT CM-CIC Home Loans	100	100	FC	100	100	FC

	December 31, 2012			December 31, 2011		
	% Control	% Interest	Method[1]	% Control	% Interest	Method[1]
Monabanq	100	43	FC	100	43	FC
Saint-Pierre SNC	100	93	FC	100	93	FC
SCI La Tréflière	46	46	EM	46	46	EM
Sofemo - Société Fédérative Europ. de Monétique et de Financement	100	98	FC	100	98	FC
Sofim	100	93	FC	100	93	FC
Targo Dienstleistungs GmbH	100	100	FC	100	100	FC
Targo Finanzberatung GmbH	100	100	FC	100	100	FC
C. Financing and capital markets banks						
Cigogne Management	100	96	FC	100	96	FC
CM-CIC Securities	100	93	FC	100	93	FC
Diversified Debt Securities	100	93	FC	100	95	FC
Divhold	100	93	FC	100	95	FC
Lafayette CLO 1 LtD	100	93	FC			NC
Ventadour Investissement	100	100	FC	100	100	FC
D. Private banking						
Agefor SA Genève	70	65	FC	70	65	FC
Banque de Luxembourg	100	93	FC	100	95	FC
Banque Pasche (Liechtenstein) AG	53	49	FC	53	49	FC
Banque Pasche Monaco SAM	100	93	FC	100	93	FC
Banque Transatlantique	100	93	FC	100	93	FC
Banque Transatlantique Belgium	100	92	FC	100	92	FC
Banque Transatlantique Luxembourg	100	93	FC	90	86	FC
Banque Transatlantique Singapore	100	93	FC	100	93	FC
Calypso Management Company	70	65	FC	70	65	FC
Banque Pasche	100	93	FC	100	93	FC
CIC Switzerland	100	93	FC	100	93	FC
Dubly-Douilhet	63	58	FC	63	58	FC
LRM Advisory SA	70	65	FC	70	65	FC
Pasche Bank & Trust Ltd Nassau	100	93	FC	100	93	FC
Pasche Finance SA Fribourg	100	93	FC	100	93	FC
Pasche Fund Management Ltd			NC	100	93	FC
Pasche International Holding Ltd			MER	100	93	FC
Pasche SA Montevideo			NC	100	93	FC
Serficom Brasil Gestao de Recursos Ltda	50	46	FC	50	46	FC
Serficom Family Office Brasil Gestao de Recursos Ltda	52	48	FC	52	48	FC
Serficom Family Office Inc	100	93	FC	100	93	FC
Serficom Family Office SA	100	93	FC	100	93	FC
Serficom Investment Consulting (Shanghaï)			NC	100	93	FC
Serficom Maroc SARL			NC	100	93	FC
Transatlantique Gestion	100	93	FC	100	93	FC
Valeroso Management Ltd	100	93	FC	100	93	FC
Alternative Gestion SA Genève	45	57	EM	45	57	EM

	December 31, 2012			December 31, 2011		
	% Control	% Interest	Method [1]	% Control	% Interest	Method [1]
E. Private equity						
CM-CIC Capital Finance	100	93	FC	100	93	FC
CM-CIC Capital Innovation	100	92	FC	100	92	FC
CM-CIC Conseil	100	93	FC	100	93	FC
CM-CIC Investissement	100	92	FC	100	92	FC
Sudinnova	66	61	FC	66	61	FC
F. Logistics and holding company services						
Adepi	100	93	FC	100	93	FC
Carmen Holding Investissement	84	84	FC	84	84	FC
CIC Migrations	100	93	FC	100	93	FC
CIC Participations	100	93	FC	100	93	FC
Cicor	100	93	FC	100	93	FC
Cicoval	100	93	FC	100	93	FC
CM Akquisitions	100	100	FC	100	100	FC
CMCP - Crédit Mutuel Cartes de paiement	45	46	EM	45	46	EM
Cofidis Participations	51	43	FC	51	43	FC
Efsa	100	93	FC	100	93	FC
Est Bourgogne Rhône-Alpes (EBRA)	100	100	FC	100	100	FC
Euro-Information	26	25	EM	26	25	EM
Euro Protection Surveillance	25	25	EM			NC
France Est	100	98	FC	100	98	FC
Gesteurop	100	93	FC	100	93	FC
Gestunion 2	100	93	FC	100	93	FC
Gestunion 3	100	93	FC	100	93	FC
Gestunion 4	100	93	FC	100	93	FC
Groupe Républicain Lorrain Communication (GRLC)	100	100	FC	100	100	FC
Impex Finance	100	93	FC	100	93	FC
L'Est Républicain	92	91	FC	92	91	FC
Marsovalor	100	93	FC	100	93	FC
Pargestion 2	100	93	FC	100	93	FC
Pargestion 4	100	93	FC	100	93	FC
Placinvest	100	93	FC	100	92	FC
Société Civile de Gestion des Parts dans l'Alsace (SCGPA)	50	50	FC	50	50	FC
Société Française d'Edition de Journaux et d'Imprimés Commerciaux (SFEJIC)	99	97	FC	99	97	FC
Sofiholding 2	100	93	FC	100	93	FC
Sofiholding 3	100	93	FC	100	93	FC
Sofiholding 4	100	93	FC	100	93	FC
Sofinaction	100	93	FC	100	93	FC
Targo Akademie GmbH	100	100	FC	100	100	FC
Targo Deutschland GmbH	100	100	FC	100	100	FC
Targo IT Consulting GmbH	100	100	FC	100	100	FC
Targo Management AG	100	100	FC	100	100	FC

	December 31, 2012			December 31, 2011		
	% Control	% Interest	Method [1]	% Control	% Interest	Method [1]
Targo Realty Services GmbH	100	100	FC	100	100	FC
Ufigestion 2	100	93	FC	100	93	FC
Ugépar Service	100	93	FC	100	93	FC
Valimar 2	100	93	FC	100	93	FC
Valimar 4	100	93	FC	100	93	FC
VTP 1	100	93	FC	100	93	FC
VTP 5	100	93	FC	100	93	FC
G. Insurance companies						
ACM GIE	100	72	FC	100	72	FC
ACM IARD	96	69	FC	96	69	FC
ACM Nord IARD	49	35	EM	49	35	EM
ACM Ré	100	72	FC			NC
ACM Services	100	72	FC	100	72	FC
ACM Vie	100	72	FC	100	72	FC
Agrupació AMCI de Seguros y Reaseguros	60	50	FC			NC
Agrupació Bankpyme Pensiones	60	50	FC			NC
Agrupació Serveis Administratius	60	50	FC			NC
AMDIF	60	50	FC			NC
AMSYR	60	50	FC			NC
Assistencia Avançada Barcelona	60	50	FC			NC
Astree	30	22	EM	30	22	EM
Atlancourtage			MER	100	72	FC
Groupe des Assurances du Crédit Mutuel (GACM)	73	72	FC	73	72	FC
ICM Life	100	72	FC	100	72	FC
Immobilière ACM	100	72	FC	100	72	FC
Partners	100	72	FC	100	72	FC
Procourtage	100	72	FC	100	72	FC
RMA Watanya	22	16	EM	22	16	EM
Royal Automobile Club de Catalogne	49	35	EM	49	35	EM
Serenis Assurances	100	71	FC	100	72	FC
Serenis Vie	100	72	FC	100	72	FC
Voy Mediación	90	63	FC	100	63	FC
H. Other companies						
A. Télé			NC	69	49	FC
Affiches d'Alsace Lorraine	100	89	FC	100	89	FC
Agence générale d'informations régionales	100	98	FC	100	97	FC
Alsace Média Participation	100	89	FC	100	89	FC
Alsacienne de portage des DNA	100	89	FC	100	89	FC
Alsatic			MER	80	71	FC
Cime & Mag			MER	100	97	FC
CM-CIC Immobilier	100	100	FC	100	100	FC
Distripub	100	97	FC	100	97	FC
Documents AP	100	100	FC	100	100	FC
Est Bourgogne Médias	100	100	FC	100	100	FC

	December 31, 2012			December 31, 2011		
	% Control	% Interest	Method [1]	% Control	% Interest	Method [1]
Est Imprimerie	100	100	FC	100	97	FC
Est Info TV (formerly Société alsacienne de presse et d'audiovisuelle)			NC	60	53	FC
Europe Régie			MER	66	64	FC
Foncière Massena	100	72	FC	78	56	FC
France Régie	100	89	FC	100	89	FC
GEIE Synergie	100	43	FC			NC
Groupe Progrès	100	100	FC	100	100	FC
Groupe Républicain Lorrain Imprimeries - GRLI	100	100	FC	100	100	FC
Immocity	100	100	FC	100	100	FC
Imprimerie Michel	100	100	FC	100	100	FC
Interprint	100	100	FC	100	100	FC
Jean Bozzi Communication	100	100	FC	100	100	FC
Journal de la Haute Marne	50	46	EM	50	46	EM
La Liberté de l'Est	97	89	FC	96	92	FC
La Tribune	100	100	FC	100	100	FC
L'Alsace	100	97	FC	100	97	FC
L'Alsace Magazines Editions - L'Ame			MER	100	97	FC
Le Dauphiné Libéré	100	100	FC	100	100	FC
Le Républicain Lorrain	100	100	FC	100	100	FC
Les Dernières Nouvelles d'Alsace	99	89	FC	100	89	FC
Les Dernières Nouvelles de Colmar	100	89	FC	100	89	FC
Les Editions de l'Echiquier	100	97	FC	100	97	FC
Lumedia	50	50	PC	50	50	PC
Massena Property	100	72	FC	100	72	FC
Massimob	100	69	FC	100	69	FC
Mediaportage	100	97	FC	100	97	FC
Presse Diffusion	100	100	FC	100	100	FC
Promopresse	100	100	FC	100	100	FC
Publicité Moderne			MER	100	91	FC
Publiprint Dauphiné	100	100	FC	100	100	FC
Publiprint Province n° 1	100	100	FC	100	100	FC
Républicain Lorrain Communication	100	100	FC	100	100	FC
Républicain Lorrain TV News	100	100	FC	100	100	FC
Républicain Lorrain Voyages			MER	100	100	FC
Roto Offset	100	97	FC	100	97	FC
SCI ACM (formerly SCI ADS)	83	60	FC	100	71	FC
SCI Alsace	90	87	FC	90	87	FC
SCI Ecriture			MER	100	97	FC
SCI Gutenberg	100	100	FC	100	100	FC
SCI Le Progrès Confluence	100	100	FC	100	100	FC
SCI Roseau d'Or			MER	100	97	FC
SDV Plurimédia	20	18	EM	20	19	EM
Société de Presse Investissement	100	90	FC	100	91	FC
Société d'édition de l'hebdomadaire du Louhannais et du Jura	100	100	FC	100	100	FC

	December 31, 2012			December 31, 2011		
	% Control	% Interest	Method[1]	% Control	% Interest	Method[1]
Société d'édition des hebdomadaires et périodiques locaux			MER	100	100	FC
Sofiliest			MER	100	96	FC
Top Est 88			MER	100	46	FC

1. Method :
FC = Full consolidation
PC = Proportionate consolidation
EM = Equity method
NC = Not consolidated
MER = Merged.

Note 4 Cash, central banks

Note 4a Loans and receivables due from credit institutions

	Dec. 31, 2012	Dec. 31, 2011
Cash and amounts due from central banks		
Due from central banks	8,879	4,920
including reserve requirements	1,335	1,364
Cash	550	510
Total	**9,429**	**5,430**
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts[1]	5,425	3,114
Other current accounts	2,426	1,974
Loans	57,460	54,280
Other receivables	633	532
Securities not listed in an active market	2,344	3,672
Repurchase agreements	1,403	1,141
Individually impaired receivables	925	1,099
Accrued interest	367	553
Impairment provisions	- 280	- 310
Total	**70,703**	**66,055**

1. Mainly outstanding repayments - CDC (Caisse des Dépôts et Consignations) relating to LEP, LDD and Livret bleu passbook savings accounts).

Note 4b Amounts due to credit institutions

	Dec. 31, 2012	Dec. 31, 2011
Due to central banks	**343**	**282**
Due to credit institutions		
Crédit Mutuel network accounts	0	0
Other current accounts	8,741	16,400
Borrowings	24,634	27,463
Other	298	2,597
Repurchase agreements	656	2,573
Accrued interest	147	81
Total	**34,820**	**49,397**

Note 5 Financial assets and liabilities at fair value through profit or loss

Note 5a Financial assets at fair value through profit or loss

	December 31, 2012			December 31, 2011		
	Transaction	Fair value option	Total	Transaction	Fair value option	Total
Securities	15,148	14,784	29,932	13,860	13,381	27,241
– Government securities	1,644	1	1,645	1,409	24	1,433
– Bonds and other fixed-income securities	13,186	2,765	15,952	11,977	2,875	14,852
Listed	*13,186*	*2,716*	*15,902*	*11,977*	*2,786*	*14,763*
Unlisted	*0*	*50*	*50*	*0*	*88*	*88*
– Equities and other variable-income securities	317	12,019	12,336	473	10,483	10,956
Listed	*317*	*10,259*	*10,577*	*473*	*8,774*	*9,247*
Unlisted	*0*	*1,759*	*1,759*	*0*	*1,709*	*1,709*
Trading derivative instruments	2,848	0	2,848	2,534	0	2,534
Other financial assets		10,311	10,311		7,100	7,100
including resale agreements		*10,311*	*10,311*		*7,096*	*7,096*
Total	**17,996**	**25,096**	**43,091**	**16,394**	**20,481**	**36,875**

Note 5b Financial liabilities at fair value through profit or loss

	Dec. 31, 2012	Dec. 31, 2011
Financial liabilities held for trading	7,619	6,676
Financial liabilities at fair value by option through profit or loss	23,351	24,252
Total	**30,970**	**30,928**

Financial liabilities held for trading

	Dec. 31, 2012	Dec. 31, 2011
Short selling of securities	1,507	1,087
– Government securities	*0*	*0*
– Bonds and other fixed-income securities	*1,048*	*641*
– Equities and other variable-income securities	*458*	*447*
Trading derivative instruments	5,603	4,786
Other financial liabilities held for trading	509	802
Total	**7,619**	**6,676**

Financial liabilities designated under the fair value option through profit or loss

	December 31, 2012			December 31, 2011		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	24	24	0	60	60	0
Interbank liabilities	22,723	22,720	3	23,577	23,564	13
Due to customers	604	604	0	615	615	0
Total	**23,351**	**23,348**	**3**	**24,252**	**24,239**	**13**

Note 5c Fair value hierarchy

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	61,765	458	1,346	63,569
– Government and similar securities – AFS	*11,912*	*32*	*0*	*11,944*
– Bonds and other fixed-income securities – AFS	*44,003*	*399*	*464*	*44,866*
– Equities and other variable-income securities – AFS	*5,007*	*0*	*100*	*5,107*
– Investments in non-consolidated companies and other LT investments – AFS	*836*	*9*	*469*	*1,314*
– Investments in associates – AFS	*7*	*18*	*313*	*338*
Held for trading / Fair value option (FVO)	24,726	15,812	2,205	43,092
– Government and similar securities – Held for trading	*1,558*	*86*	*0*	*1,644*
– Government and similar securities – FVO	*1*	*0*	*0*	*1*
– Bonds and other fixed-income securities – Held for trading	*10,124*	*2,670*	*392*	*13,186*
– Bonds and other fixed-income securities – FVO	*2,711*	*50*	*4*	*2,765*
– Equities and other variable-income securities – Held for trading	*307*	*0*	*10*	*317*
– Equities and other variable-income securities – FVO	*9,976*	*349*	*1,694*	*12,019*
– Loans and receivables due from credit institutions – FVO	*0*	*5,802*	*0*	*5,802*
– Loans and receivables due from customers – FVO	*0*	*4,510*	*0*	*4,510*
– Derivative instruments and other financial assets – Held for trading	*49*	*2,694*	*105*	*2,848*
Hedging derivative instruments	0	2,610	4	2,614
Total	**86,491**	**19,229**	**3,555**	**109,275**

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2,082	28,790	98	30,970
– Due to credit institutions – FVO	*0*	*22,723*	*0*	*22,723*
– Due to customers – FVO	*0*	*604*	*0*	*604*
– Debt securities – FVO	*0*	*24*	*0*	*24*
– Subordinated debt – FVO	*0*	*0*	*0*	*0*
– Derivative instruments and other financial liabilities – Held for trading	*2,082*	*5,439*	*98*	*7,619*
Hedging derivative instruments	0	2,726	37	2,763
Total	**2,082**	**31,516**	**135**	**33,733**

There are three levels of fair value of financial instruments, in accordance with what has been defined by IFRS 7:
– Level 1 instruments: valued using stock market prices. In the case of capital markets activities, these include debt securities with prices quoted by at least four contributors and derivative instruments quoted on a regulated market.
– Level 2 instruments: measured using valuation techniques based primarily on observable inputs. In the case of capital markets activities, these comprise debt securities with prices quoted by two to three contributors and derivative instruments traded over the counter, which are not included in Level 3.
– Level 3 instruments: measured using valuation techniques based primarily on unobservable inputs. These involve unquoted equities, and, in the case of capital markets activities, debt securities quoted by a single contributor and derivative instruments valued using primarily unobservable parameters.

Level 3 details

	Opening bal.	Purchases	Sales	Gains and losses recognized in profit	Other movements	Closing bal.
Equities and other variable-income securities – FVO	1,733	330	- 374	60	- 55	1,694

Note 6 Hedging

Note 6a Hedging derivative instruments

	December 31, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	4	46	5	44
Fair value hedges (change in value recognized through profit or loss)	2,610	2,717	1,094	2,930
Total	**2,614**	**2,763**	**1,099**	**2,974**

Fair value hedging is the hedging of exposure against a change in the fair value of a financial instrument attributable to a specific risk. The portion attributable to the hedged risk of changes in the fair value of the hedge and of the hedged items is recognized through profit or loss.

Note 6b Remeasurement adjustment on interest-rate risk hedged investments

	Fair value Dec. 31, 2012	Fair value Dec. 31, 2011	Change in fair value
Fair value of interest-rate risk by investment category			
financial assets	852	738	114
financial liabilities	- 1,947	- 1,664	- 283

Note 6c Analysis of derivative instruments

	December 31, 2012			December 31, 2011		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
– Swaps	*290,445*	*2,045*	*4,522*	*365,377*	*1,540*	*3,987*
– Other forward contracts	*14,796*	*4*	*2*	*8,394*	*4*	*1*
– Options and conditional transactions	*23,447*	*92*	*265*	*32,490*	*116*	*121*
Foreign exchange derivative instruments						
– Swaps	*81,679*	*20*	*71*	*84,374*	*41*	*77*
– Other forward contracts	*10,871*	*401*	*391*	*17,422*	*172*	*116*
– Options and conditional transactions	*16,193*	*53*	*52*	*17,493*	*195*	*195*
Derivative instruments other than interest-rate and foreign exchange						
– Swaps	*13,553*	*74*	*138*	*16,567*	*372*	*242*
– Other forward contracts	*1,744*	*0*	*0*	*1,951*	*0*	*0*
– Options and conditional transactions	*4,550*	*158*	*162*	*788*	*95*	*48*
Sub-total	**457,278**	**2,848**	**5,603**	**544,856**	**2,534**	**4,786**
Hedging derivative instruments						
Fair Value Hedges						
– Swaps	*74,463*	*2,609*	*2,717*	*83,927*	*1,094*	*2,930*
– Options and conditional transactions	*1*	*0*	*0*	*1*	*0*	*0*
Cash Flow Hedges						
– Swaps	*165*	*4*	*41*	*157*	*4*	*39*
– Other forward contracts	*0*	*0*	*5*	*0*	*0*	*4*
– Options and conditional transactions	*0*	*0*	*0*	*0*	*1*	*0*
Sub-total	**74,630**	**2,614**	**2,763**	**84,085**	**1,099**	**2,974**
Total	**531,907**	**5,461**	**8,366**	**628,941**	**3,634**	**7,760**

Note 7 Available-for-sale financial assets

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Government securities	11,809	15,144
Bonds and other fixed-income securities	44,766	42,478
– Listed	*44,149*	*41,746*
– Unlisted	*617*	*732*
Equities and other variable-income securities	5,119	4,438
– Listed	*4,966*	*4,335*
– Unlisted	*153*	*104*
Long-term investments	1,625	1,739
– Investments in non-consolidated companies	*1,177*	*1,214*
– Other long-term investments	*133*	*242*
– Investments in associates	*311*	*280*
– Securities lent	*4*	*3*
Accrued interest	251	326
Total	**63,570**	**64,125**
including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity	*- 80*	*- 1,329*
including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity	*545*	*296*
including impairment of bonds and other fixed-income securities	*- 88*	*- 684*
including impairment of equities and other variable-income securities and long-term investments	*- 1,986*	*- 1,996*

Note 7a List of major investments in non-consolidated companies

		Percent interest	Equity	Total assets	NBI or revenue	Net income (loss)
Crédit Logement	Unlisted	< 10%	1,463	9,881	207	89
CRH (Caisse de Refinancement de l'Habitat)	Unlisted	< 40%	312	49,574	4	1
Foncière des Régions	Listed	< 10%	6,040	14,642	752	469
Veolia Environnement	Listed	< 5%	9,835	50,406	26,947	- 317

The figures above (excluding the percentage of interest) relate to 2011.

Note 7b Exposure to sovereign risk

The securities issued by the Greek government were contributed to the exchange offer under the Private Sector Involvement (PSI) plan. The securities received in exchange were sold on the market. At December 31, 2012, exposure to Greece had been eliminated. This transaction entailed a loss of €30 million, which was recognized in net additions to/reversals from provisions for loan losses.

Ireland and Portugal benefited from aid packages from the European Union and the IMF when the deterioration in their public finances no longer allowed them to raise the funds they needed because the markets lacked confidence. At this time, the projected recovery of the debt of these two countries does not appear to be compromised and therefore does not warrant recognition of impairment.

Changes between December 31, 2011 and December 31, 2012 are due to repayments of maturing securities, changes in value during the year and, to a lesser extent, to some purchases and sales, bearing in mind that purchases and sales may be more frequent for trading securities.

Countries benefiting from aid packages

Net exposure[1]	December 31, 2012		December 31, 2011	
	Portugal	Ireland	Portugal	Ireland
Financial assets at fair value through profit or loss			50	
Available-for-sale financial assets	63	100	104	99
Held-to-maturity financial assets				
Total	**63**	**100**	**154**	**99**

1. Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.

Residual contractual maturity	Portugal	Ireland	Portugal	Ireland
< 1 year			39	
1 to 3 years			20	
3 to 5 years	13		29	
5 to 10 years		93	59	94
> 10 years	50	7	7	5
Total	**63**	**100**	**154**	**99**

Other sovereign risk exposures in the banking portfolio

Net exposure	December 31, 2012		December 31, 2011	
	Spain	Italy	Spain	Italy
Financial assets at fair value through profit or loss	204	39	131	99
Available-for-sale financial assets	54	3,472	130	4,396
Held-to-maturity financial assets				
Total	**258**	**3,511**	**261**	**4,495**

Capital markets activities are shown at market value and other businesses at par value. Outstandings are shown net of credit default swaps.

Residual contractual maturity	Spain	Italy	Spain	Italy
< 1 year	81	30	66	1,266
1 to 3 years	118	2,645	28	2,076
3 to 5 years	29	206	69	375
5 to 10 years	13	382	17	545
> 10 years	16	248	81	233
Total	**258**	**3,511**	**261**	**4,495**

Note 8 Customers

Note 8a Loans and receivables due from customers

	Dec. 31, 2012	Dec. 31, 2011
Performing loans	154,164	154,058
– Commercial loans	4,722	5,081
– Other customer loans	148,881	148,263
Home loans	*63,746*	*63,311*
Other loans and receivables, including resale agreements	*85,135*	*84,952*
– Accrued interest	316	343
– Securities not listed in an active market	245	371
Insurance and reinsurance receivables	180	169
Individually impaired receivables	8,897	9,101
Gross receivables	**163,241**	**163,327**
Individual impairment	- 5,656	- 5,906
Collective impairment	- 490	- 437
Sub-total 1	**157,096**	**156,985**
Finance leases (net investment)	8,809	8,515
– Furniture and movable equipment	5,293	5,315
– Real estate	3,114	3,019
– Individually impaired receivables	373	181
Provisions for impairment	- 130	- 142
Sub-total 2	**8,680**	**8,373**
Total	**165,775**	**165,358**
of which non-voting loan stock	*11*	*9*
of which subordinated notes	*13*	*12*

Finance leases with customers

	Dec. 31, 2011	Acquisition	Sale	Other	Dec. 31, 2012
Gross carrying amount	8,515	1,715	- 1,385	- 36	8,809
Impairment of irrecoverable rent	- 142	- 26	38	0	- 130
Net carrying amount	**8,373**	**1,689**	**- 1,347**	**- 35**	**8,680**

Analysis of future minimum lease payments receivable under finance leases, by residual term

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Future minimum lease payments receivable	2,698	4,704	1,831	9,233
Present value of future minimum lease payments receivable	2,529	4,501	1,820	8,850
Unearned finance income	**169**	**203**	**11**	**383**

Note 8b Amounts due to customers

	Dec. 31, 2012	Dec. 31, 2011
Regulated savings accounts	39,098	35,183
– demand	*30,071*	*26,217*
– term	*9,027*	*8,967*
Accrued interest on savings accounts	3	5
Sub-total	**39,101**	**35,188**
Demand deposits	47,682	44,367
Term accounts and loans	47,293	45,921
Repurchase agreements	202	151
Accrued interest	501	438
Insurance and reinsurance payables	85	81
Sub-total	**95,762**	**90,958**
Total	**134,864**	**126,146**

Note 9 Held-to-maturity financial assets

	Dec. 31, 2012	Dec. 31, 2011
Securities	11,605	14,442
– Government securities	0	84
– Bonds and other fixed-income securities	11,605	14,357
Listed	11,560	9,436
Unlisted	*45*	4,921
Conversion	*0*	0
Accrued interest	1	13
Gross total	**11,606**	**14,454**
of which impaired assets	*25*	*109*
Provisions for impairment	- 14	- 78
Net total	**11,593**	**14,377**

Note 10 Movements in provisions for impairment

	Dec. 31, 2011	Additions	Reversals	Other	Dec. 31, 2012
Loans and receivables due from credit institutions	- 310	- 15	40	5	- 280
Loans and receivables due from customers	- 6,485	- 1,254	1,463	0	- 6,275
Available-for-sale securities	- 2,680	- 98	704	0	- 2,074
Held-to-maturity securities	- 78	0	65	0	- 14
Total	**- 9,553**	**- 1,368**	**2,272**	**5**	**- 8,643**

At December 31, 2012, provisions for loans and receivables due from customers amounted to €6,275 million (compared to €6,485 million at the end of 2011), of which collective provisions totaled €490 million. Individual provisions essentially relate to overdrawn current accounts, for €707 million (compared to €745 million at the end of 2011), and to provisions for commercial and other loans (including home loans) for €4,949 million (compared to €5,160 million at the end of 2011).

Note 11 Reclassifications of financial instruments

In application of new accounting regulations and in the extraordinary circumstances of a completely disrupted market, on July 1, 2008 the Group reclassified €18.8 billion of investments from the trading securities portfolio into AFS (€16.1 billion) investments and Loans and receivables (€2.7 billion), as well as €6.5 billion of AFS investments into Loans and receivables (€5.9 billion) and HTM investments (€0.6 billion). No other reclassification has occurred since that date.

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans & receivables portfolio	2,929	2,910	4,539	4,235
AFS portfolio	5,489	5,492	7,413	7,414

	Dec. 31, 2012	Dec. 31, 2011
Gains (losses) which would have been recognized at fair value through profit or loss if the assets had not been reclassified	635	- 184
Unrealized gains (losses) which would have been recognized directly in shareholders' equity if the assets had not been reclassified	- 498	47
Gains (losses) on reclassified assets, recognized in income (NBI and Net additions to/reversals of provisions for loan losses)	92	- 8

Note 12 Exposures affected by the financial crisis

The exposures affected by the financial crisis are presented below.

The portfolios are carried at market value established on the basis of external inputs obtained from regulated markets, major brokers or, where no price was available, on the basis of comparable listed securities.

Summary	Dec. 31, 2012	Dec. 31, 2011
	Carrying amount	Carrying amount
RMBS	2,391	3,985
CMBS	333	366
CLO	943	1,543
Other ABS	731	897
CLO covered by CDS	833	721
Other ABS covered by CDS	25	28
Liquidity facilities	351	351
Total	**5,606**	**7,890**

Unless otherwise stated, securities are not covered by CDS.

Exposures at December 31, 2012	RMBS	CMBS	CLO	Other ABS	Total
Trading	921	269	15	505	1,710
AFS	478	64	29	75	646
Loans	992		899	151	2,042
Total	**2,391**	**333**	**943**	**731**	**4,398**
France	1	2		519	522
Spain	105			68	173
United Kingdom	244			47	291
Europe excluding France, Spain and United Kingdom	706	64	664	72	1,506
USA	1,232	267	279	25	1,803
Rest of the world	103				103
Total	**2,391**	**333**	**943**	**731**	**4,398**
US Agencies	447				447
AAA	546	259	383	462	1,650
AA	239		488	53	780

Exposures at December 31, 2012	RMBS	CMBS	CLO	Other ABS	Total
A	188	10	47	150	395
BBB	66	64	12	19	161
BB	101		14		114
B or below	804			47	851
Not rated					0
Total	**2,391**	**333**	**943**	**731**	**4,398**
Originating 2005 or before	400	98		28	526
Originating 2006	508	60	180	45	793
Originating 2007	746	175	418	60	1,399
Originating since 2008	736	0	346	598	1,680
Total	**2,391**	**333**	**943**	**731**	**4,398**

Exposures at December 31, 2011	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,173	353	26	366	1,918
AFS	966	13	192	227	1,399
Loans	1,845	0	1,325	304	3,474
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
France	14	2	0	354	369
Spain	305	0	20	206	531
United Kingdom	413	30	0	52	496
Europe excluding France, Spain and United Kingdom	1,306	0	694	144	2,144
USA	1,795	320	828	121	3,064
Rest of the world	151	13	0	21	186
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
US Agencies	521	0	0	0	521
AAA	1,560	303	716	421	3,001
AA	187	30	737	107	1,062
A	242	23	51	98	413
BBB	145	2	26	121	294
BB	119	0	12	20	151
B or below	1,211	8	0	131	1,350
Not rated	0	0	0	0	0
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
Originating 2005 or before	943	28	39	207	1,217
Originating 2006	1,153	119	595	112	1,979
Originating 2007	1,125	174	550	183	2,032
Originating since 2008	764	45	358	396	1,563
Total	**3,985**	**366**	**1,543**	**897**	**6,791**

Note 13 Corporate income tax

Note 13a Current income tax

	Dec. 31, 2012	Dec. 31, 2011
Asset (by income)	701	907
Liability (by income)	446	387

Note 13b Deferred income tax

	Dec. 31, 2012	Dec. 31, 2011
Asset (by income)	625	673
Asset (by shareholders' equity)	249	805
Liability (by income)	486	586
Liability (by shareholders' equity)	320	185

Breakdown of deferred income tax by major categories

	Dec. 31, 2012		Dec. 31, 2011	
	Asset	Liability	Asset	Liability
Temporary differences in respect of:				
– Deferred gains (losses) on available-for-sale securities	*249*	*320*	*805*	*185*
– Impairment provisions	*375*		*437*	
– Unrealized finance lease reserve		*144*		*136*
– Earnings of fiscally transparent (pass-through) companies		*1*		*4*
– Remeasurement of financial instruments	*734*	*104*	*860*	*161*
– Accrued expenses and accrued income	*94*	*752*	*114*	*952*
– Tax losses [1 2]	*63*		*123*	
– Insurance activities	*28*	*174*	*31*	*192*
– Other timing differences	*98*	*78*	*52*	*84*
Netting	- 767	- 767	- 944	- 944
Total deferred tax assets and liabilities	**873**	**805**	**1,478**	**771**

Deferred taxes are calculated using the liability method. For the French companies, the deferred tax rate is 36.10% (i.e., the standard tax rate).
1. Of which USA tax losses: €50million in 2012 and €122 million in 2011.
2. Tax losses result in deferred tax assets inasmuch as their likelihood of realization is high.

Note 14 Accruals, other assets and other liabilities

Note 14a Accruals and other assets

	Dec. 31, 2012	Dec. 31, 2011
Accruals - assets		
Collection accounts	188	317
Currency adjustment accounts	83	334
Accrued income	404	438
Other accruals	2,296	1,468
Sub-total	**2,972**	**2,557**
Other assets		
Securities settlement accounts	79	110
Guarantee deposits paid	8,069	7,645
Miscellaneous receivables	6,191	5,209
Inventories	13	14
Other	49	- 2
Sub-total	**14,402**	**12,978**
Other insurance assets		
Technical reserves - reinsurers' share	269	255
Autres	83	81
Sub-total	**353**	**335**
Total	**17,727**	**15,870**

Note 14b Accruals and other liabilities

	Dec. 31, 2012	Dec. 31, 2011
Accrual accounts - liabilities		
Accounts unavailable due to collection procedures	153	452
Currency adjustment accounts	6	349
Accrued expenses	643	551
Deferred income	639	670
Other accruals	7,435	1,743
Sub-total	**8,877**	**3,764**
Other liabilities		
Securities settlement accounts	123	83
Outstanding amounts payable on securities	100	53
Other payables	4,163	3,546
Sub-total	**4,386**	**3,682**
Other insurance liabilities		
Deposits and guarantees received	167	150
Sub-total	**167**	**150**
Total	**13,430**	**7,596**

Note 15 Equity-accounted investments

Equity value and share of net income (loss)

		December 31, 2012			December 31, 2011		
		Percent interest	Investment value	Share of net income (loss)	Percent interest	Investment value	Share of net income (loss)
ACM Nord	Unlisted	49.00%	22	6	49.00%	19	3
Astree Assurance	Listed	30.00%	17	1	30.00%	18	- 1
Banca Popolare di Milano [1]	Listed	6.87%	142	- 58	6.87%	191	- 31
Banco Popular Español (see note 1b)	Listed	4.37%	410	- 105	5.03%	387	27
Banque de Tunisie	Listed	20.00%	52	6	20.00%	52	6
Banque Marocaine du Commerce Extérieur	Listed	26.21%	923	16	24.64%	831	21
CMCP	Unlisted		5	0		5	0
Euro-Information	Unlisted	26.36%	222	20	26.36%	206	13
Euro Protection Surveillance	Unlisted	25.00%	3	3	26.36%	206	13
RMA Watanya [2]	Unlisted	22.02%	209	- 25	22.02%	298	16
Royal Automobile Club de Catalogne	Unlisted	48.99%	59	4	48.99%	62	- 13
SCI La Treflière	Unlisted	46.09%	12	1	46.09%	11	1
Other	Unlisted		3	1			
Total			**2,079**	**- 131**		**2,084**	**42**

1. At December 31, 2012, the share price of Banca Popolare di Milano on the Milan Stock Exchange was 45 euro cents. The market value of this investment is €96 million.
2. Goodwill relating to RMA of €87 million was written down in the amount of €27 million during 2012.

Financial data published by the major equity-accounted entities

	Total assets	NBI or revenue	Net income
ACM Nord	149	134	8
Astree Assurance [1 2]	321	101	13
Banca Popolare di Milano [1]	51,931	1,352	- 621
Banco Popular Español	157,618	3,778	- 2,461
Banque de Tunisie [1 2]	3,388	153	58
Banque Marocaine du Commerce Extérieur [1 3]	207,988	8,140	1,508
Euro-Information	842	845	75
Euro Protection Surveillance	77	108	12
RMA Watanya [1 3]	239,588	3,973	- 297
Royal Automobile Club de Catalogne	177	123	8

1. 2011 amounts.
2. In millions of Tunisian Dinars.
3. In millions of Moroccan Dirhams.

Banca Popolare di Milano S.C.a.r.l or "BPM"

The investment in BPM is accounted for using the equity method, as CIC, which retains its position as a strategic partner to BPM's Board of Directors and is also a member of its Executive Committee and the Finance Committee, is deemed to exercise significant influence over the entity. The investment's carrying amount must therefore reflect the Group's share of BPM's net assets (IFRS), up to the value in use.This value was determined using the discounted dividend method (DDM), which involves discounting over a long period of time future distributable profits, obtained from estimated earnings less the regulatory reserve needed for compliance with solvency ratio requirements.

The estimated earnings used were taken from the business plan of July 24, 2012, as the most recent information available. The discount rate was determined using the long-term, risk-free interest rate plus a risk premium taking into account the volatility of the BPM shares. The resulting value in use was 62 euro cents per BPM share. An analysis of sensitivity to key parameters used by the model, in particular the discount rate, shows that a 100 basis point increase in the discount rate would reduce the value in use by 12%.

Based on this valuation, the carrying amount of the equity-accounted investment reported in the financial statements was €142 million (net of any impairment losses). As a reminder, the BPM closing share price on the Milan Stock Exchange was 45 euro cents at December 31, 2012, and the opening price at February 26, 2013 was 51 euro cents. The stock market value of the Group's interest in BPM was €100 million at December 31, 2012, and €113 million at February 26, 2013. As at September 30, 2012, BPM's total assets reported in the consolidated financial statements (IFRS) stood at €52,439 million and shareholders' equity amounted to €4,270 million, including a net loss for the first nine months of 2012 of €106 million.

During the year, the Group recognized in income, in addition to its share of BPM's net loss for the period of €8 million, an impairment of the investment's value in use of €49 million on the line "Share of net income (loss) of associates".

Banco Popular Español (BPE)

The investment in BPE is accounted for using the equity method, as the Group and BPE have the following relations of significant influence: representation of Crédit Mutuel - CIC on the Board of Directors of BPE, existence of a banking joint venture between the two groupsand numerous mutual commercial agreements on the French and Spanish corporate and retail markets.

The investment's carrying amount reflects the Group's share of BPE's net assets (IFRS) up to its recoverable value, based on its value in use. This is calculated using projected future discounted cash flows distributable to shareholders, taking into account regulatory requirements on credit institutions relating to equity levels. The estimated earnings used are the public forecasts issued by BPE's management, announced in October 2012 and revised after the marketplace stress test carried out on the Spanish banks by Oliver Wyman. The cash flow discount rate was determined using the long-term interest rate on Spanish government debt, plus a BPE risk premium taking into account the sensitivity of its share price to market risk, calculated using the Ibex 35 index on the Madrid Stock Exchange.

The value in use thus calculated gives a value of €1.25 per BPE share, higher than the total equity-accounted investment of €410 million in the Group's financial statements at December 31. An analysis of sensitivity to key parameters used by the model, in particular the discount rate, shows that a 100 basis point increase in the discount rate would reduce the value in use by 7.8%. Similarly, a 5% decrease in the projected results in BPE's business plan would reduce the value in use by 4.8%. These two cases would not, however, bring into question the equity-accounted value recognized in the Group's consolidated financial statements.

As a reminder, the closing share price on the Madrid Stock Exchange was 58.6 euro cents per share at December 31, 2012 and 66 euro cents at February 15, 2013. The stock market value of the Group's portfolio of BPE shares was €216 million at December 31, 2012 and €243 million at February 15, 2013.

Note 16 Investment Property

	Dec. 31, 2011	Additions	Disposals	Other movements	Dec. 31, 2012
Historical cost	1,050	395	- 77	0	1,368
Accumulated depreciation and impairment losses	- 181	- 22	2	0	- 201
Net amount	**869**	**373**	**- 75**	**0**	**1,167**

The fair value of investment property carried at amortized cost was €1,548 million at December 31, 2012.

Note 17 Property, equipment and intangible assets

Note 17a Property and equipment

	Dec. 31, 2011	Additions	Disposals	Other movements	Dec. 31, 2012
Historical cost					
Land used in operations	382	1	- 5	13	392
Buildings used in operations	2,680	101	- 33	0	2,748
Other property and equipment	1,250	88	- 66	- 4	1,268
Total	**4,313**	**190**	**- 105**	**10**	**4,408**
Accumulated depreciation and impairment losses					
Land used in operations	- 3	0	0	2	- 2
Buildings used in operations	- 1,430	- 133	24	1	- 1,538
Other property and equipment	- 909	- 64	30	1	- 941
Total	**- 2,342**	**- 197**	**54**	**4**	**- 2,481**
Net amount	**1,971**	**- 7**	**- 51**	**14**	**1,928**

Note 17b Intangible assets

	Dec. 31, 2011	Additions	Disposals	Other movements	Dec. 31, 2012
Historical cost					
Internally developed intangible assets	15	1	- 1	0	15
Purchased intangible assets	1,325	71	- 23	86	1,460
– software	*476*	*10*	*- 16*	*1*	*472*
– other	*849*	*61*	*- 7*	*85*	*988*
Total	**1,341**	**72**	**- 24**	**86**	**1,475**
Accumulated depreciation and impairment losses					
Purchased intangible assets	- 439	- 122	18	5	- 537
– software	*- 248*	*- 63*	*15*	*0*	*- 296*
– other	*- 190*	*- 59*	*3*	*6*	*- 241*
Total	**- 439**	**- 122**	**18**	**5**	**- 537**
Net amount	**902**	**- 50**	**- 6**	**91**	**938**

Note 18 Goodwill

	Dec. 31, 2011	Additions	Disposals	Other movements	Dec. 31, 2012
Goodwill, gross [1]	4,385	12	- 74	23	4,346
Accumulated impairment losses	- 182	0	0	0	- 182
Goodwill, net	**4,203**	**12**	**- 74**	**23**	**4,164**

1. Fair value increment adjustment.

Subsidiaries	Goodwill at Dec. 31, 2011	Additions	Disposals	Impairment charges/ reversal	Other movements	Goodwill at Dec. 31, 2012
Targobank Germany	2,763					2,763
Crédit Industriel et Commercial (CIC)	506					506
Cofidis Participations	378					378
Targobank Spain (formerly Banco Popular Hipotecario)	183					183
CIC Private Banking-Banque Pasche	53				2	55
Banque Casino	27		- 1			26
CM-CIC Investissement	21					21
Monabanq	17					17
CIC Iberbanco	15					15
Banque de Luxembourg	13					13
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Other	216	12	- 73		21	175
Total	**4,204**	**12**	**- 74**	**0**	**23**	**4,164**

The cash generating units to which goodwill is assigned are tested annually to ascertain their recoverable value. Impairment is recognized by writing down goodwill when the recoverable value is less than the carrying amount.

Recoverable value is calculated using two methods:

– Fair value minus selling costs, which is based on observing valuation multiples on comparable transactions or market parameters used by analysts on similar entities or activities;

– Value in use, which is based on the discounting to present value of expected future cash flows.

To calculate value in use, cash flows are based on business plans established by management for a maximum period of five years, then on the projection of an infinite flow, according to a long-term growth rate. This rate is set at 2% for the whole of Europe, which is an assumption measured comparatively to the rate of inflation observed over a very long period.

The cash flow discount rate is the cost of capital, which is calculated on the basis of a risk-free long-term rate, plus a risk premium. The risk premium is calculated by observing price sensitivity compared with the market in the case of a listed asset, or by analyst estimates in the case of unlisted assets.

The key sensitivity factors in the recoverable value test based on value in use are the discount rate and anticipated future flow levels. If value in use has been implemented as an impairment test, the parameters and sensitivities are as follows:

	Targobank Germany	Targobank Spain	Cofidis	RMA Watanya
	Network bank	**Network bank**	**Consumer credit**	**Insurance (Morocco)**
Cost of capital	9.00%	10.50%	9.30%	11.00%
Effect of 100 basis point increase in the cost of capital	- 631	- 31	- 248	- 4
Effect of 10% decrease in future cash flows	- 492	- 33	- 200	- 6

Goodwill relating to RMA Watanya was written down in the amount of €27 million in 2012; for other goodwill, the impact through profit or loss of goodwill valuation would be limited to €33 million in the worst-case scenarios considered.

Note 19 Debt securities

	Dec. 31, 2012	Dec. 31, 2011
Retail certificates of deposit	176	101
Interbank instruments and money market securities	49,526	46,584
Bonds	42,630	38,871
Accrued interest	1,211	1,117
Total	**93,543**	**86,673**

Note 20 Technical reserves of insurance companies

	Dec. 31, 2012	Dec. 31, 2011
Life	53,772	47,709
Non-life	2,141	2,083
Unit of account	5,995	5,916
Other	207	199
Total	**62,115**	**55,907**
of which deferred profit-sharing - liability	*4,906*	*1,424*
Reinsurers' share of technical reserves	269	255
Total - Net technical reserves	**61,846**	**55,652**

Note 21 Provisions

	Dec. 31, 2011 (restated)	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	Dec. 31, 2012
Provisions for risks	354	76	- 55	- 98	22	298
Signature commitments	126	35	- 2	- 48	0	111
Financing and guarantee commitments	0	0	0	0	0	0
On country risks	18	0	0	0	- 2	16
Provision for taxes	65	19	- 23	- 19	8	50
Provisions for claims and litigation	123	11	- 25	- 28	17	98
Provision for risks on miscellaneous receivables	22	11	- 5	- 3	- 1	23
Other provisions	**635**	**88**	**- 32**	**- 54**	**1**	**637**
Provisions for home savings accounts and plans	43	0	- 5	- 17	- 1	20
Provisions for miscellaneous contingencies	314	38	- 20	- 9	- 1	322
Other provisions	278	50	- 7	- 28	3	295
Provisions for retirement benefits	**429**	**62**	**- 41**	**- 5**	**130**	**577**
Retirement benefits - defined benefit and equivalent, excluding pension funds						
Retirement bonuses	314	27	- 21	- 1	114	432
Supplementary retirement benefits	68	28	- 20	- 1	1	76
Long service awards (other long-term benefits)	36	7	0	- 1	0	43
Sub-total to statement of financial position	**418**	**61**	**- 41**	**- 3**	**116**	**551**
Supplementary retirement benefit - defined benefit, provided by Group's pension funds						
Provision for pension fund shortfalls[1]	11	1	0	- 1	14	26
Fair value of plan assets						
Sub-total to statement of financial position	**11**	**1**	**0**	**- 1**	**14**	**26**
Total	**1,418**	**226**	**- 128**	**- 157**	**152**	**1,512**

Assumptions	2012	2011
Discount rate[2]	2.9%	4.7%
Annual increase in salaries[3]	Minimum 1.5%	Minimum 1.8%

1. The provision for pension fund shortfalls only covers foreign entities.
2. The discount rate used is the yield on long-termbonds issued by leading companies, estimated based on the IBOXX index.
3. The annual increase in salaries is the estimate of cumulative future salary inflation. Since 2010, it has also been based on the age of the employees.

Movements in provision for retirement bonuses

	Dec. 31, 2011 (restated)	Discounted amount	Financial income	Cost of services performed
Commitments	626	28		23
Non-Group insurance contract and externally managed assets	312		14	
Provisions	314	28	- 14	23

	Dec. 31, 2010	Discounted amount	Financial income	Cost of services performed
Commitments	285	8		20
Non-Group insurance contract and externally managed assets	2			
Provisions	283	8		20

A change of plus/minus 50 basis points in discount rates would result, respectively, in a decrease of €43 million/an increased commitment of €49 million. The duration of commitments (excluding foreign entities) is 16 years.

Change in the fair value of plan assets

In € thousands	Fair value of assets Dec. 31, 2011	Discounted amount	Actuarial gains (losses)	Yield of plan assets
Fair value of plan assets	419,612	4,538	6,889	15,947

Breakdown of the fair value of plan assets

	Dec. 31, 2012	
	Debt securities	Equity instruments
Assets listed on an active market	77%	19%
Assets not listed on an active market	0%	0%
Total	**77%**	**19%**

Other costs, incl. past service	Actuarial gains (losses)	Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31, 2012
21	110	- 23		0	- 24	761
0	8		- 5			329
21	102	- 23	5	0	- 24	432

Other costs, incl. past service	Actuarial gains (losses)	Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31, 2011 (restated)
4	15	- 26			319	626
					311	312
4	15	- 26			7	314

Contributions by plan participants	Employer contributions	Payment to beneficiaries	Foreign exchange effect	Other	Fair value of assets Dec. 31, 2011
- 4,417	23,350	- 7,319			458,600

		Dec. 31, 2011			
Real estate	Other	Debt securities	Equity instruments	Real estate	Other
0%	4%	74%	22%	0%	4%
0%	0%	0%	0%	0%	0%
1%	**4%**	**74%**	**22%**	**0%**	**4%**

Provisions for home savings accounts and plans signature risk

	Dec. 31, 2012	Dec. 31, 2011
Home savings plan outstandings		
Seniority under 10 years	2,706	3,848
Seniority over 10 years	3,470	2,103
Total	**6,176**	**5,951**
Savings account outstandings	620	642
Total home savings accounts and plans	**6,795**	**6,593**

Home savings loans

	Dec. 31, 2012	Dec. 31, 2012
Outstanding home savings loans recognized in statement of financial position (amount used to calculate risk provisions)	186	206

Provisions for home savings accounts and plans

	Opening balance	Net additions/ reversals	Other movements	Closing balance
On home savings accounts	15	(8)		7
On home savings plans	22	(14)		8
On home savings loans	6	(1)		5
Total	**43**	**(23)**		**20**

Analysis of provisions on home savings plans by seniority

	Opening balance	Net additions/ reversals	Other movements	Closing balance
Seniority under 10 years	12	(12)		0
Seniority over 10 years	10	(2)		8
Total	**22**	**(14)**		**8**

Home savings accounts (comptes épargne logement, CEL) and home savings plans (plans épargne logement, PEL) are French regulated savings products, allowing individual customers to invest over time in an interest bearing account giving subsequent entitlement to a home loan. These products place a twofold commitment on the distributor:

– a commitment to provide a return to depositors on amounts invested: fixed-rate for PEL and variable-rate (periodically reviewed based on benchmark indexes) for CEL.

– a commitment to lend to those customers on demand, on predetermined terms (for both CEL and PEL).

The commitments have been estimated on the basis of customer statistical behavior and market inputs.

A provision is established in the liabilities section of the statement of financial position to cover potential future costs arising from unfavorable conditions relating to these products, on the basis of interest rates offered to individual customers by similar, non-regulated products. This approach is based on homogeneous generations of regulated terms for PEL. The impact on income is recognized as “interest due to customers”.

The decrease in the provisions for risks at December 31, 2012 compared to the previous year is due to a downward revision of expected future interest rates (determined using a Cox-Ingersoll-Ross rate model or similar).

Note 22 Subordinated debt

	Dec. 31, 2012	Dec. 31, 2011
Subordinated notes	4,853	5,005
Non-voting loan stock	29	39
Perpetual subordinated notes	2,861	2,863
Other debt	1	19
Accrued interest	92	99
Total	**7,836**	**8,025**

Main subordinated debt issues

(in € millions)	Type	Issue date	Amount issued	Amount at Dec. 31, 2012[1]	Rate	Maturity
Banque Fédérative du Crédit Mutuel	Subordinated note	July 19, 2001	€700m	€653m	6.50	July 19, 2013
Banque Fédérative du Crédit Mutuel	Subordinated note	September 30, 2003	€800m	€791m	5.00	September 30, 2015
Banque Fédérative du Crédit Mutuel	Subordinated note	December 18, 2007	€300m	€300m	5.10	December 18, 2015
Banque Fédérative du Crédit Mutuel	Subordinated note	June 16, 2008	€300m	€300m	5.50	June 16, 2016
Banque Fédérative du Crédit Mutuel	Subordinated note	December 16, 2008	€500m	€500m	6.10	December 16, 2016
Banque Fédérative du Crédit Mutuel	Subordinated note	December 6, 2011	€1000m	€1000m	5.30	December 6, 2018
Banque Fédérative du Crédit Mutuel	Subordinated note	October 22, 2010	€1000m	€917m	4.00	October 22, 2020
CIC	Non-voting loan stock	May 28, 1985	€137m	€13m	[2]	[3]
CIC	Perpetual subordinated note	June 30, 2006	€200m	€200m	[4]	No fixed maturity
CIC	Perpetual subordinated note	June 30, 2006	€550m	€550m	[5]	No fixed maturity
Banque Fédérative du Crédit Mutuel	Loan	December 28, 2005	€500m	€500m	[6]	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	December 15, 2004	€750m	€749m	[7]	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	February 25, 2005	€250m	€250m	[8]	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	April 28, 2005	€404m	€393m	[9]	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	October 17, 2008	€147m	€147m	[10]	No fixed maturity

1. Amounts net of intra-Group balances.
2. Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
3. Non amortizable, but redeemable at borrower's discretion with effect from May 28, 1997 at 130% of par revalued by 1.5% annually for subsequent years.
4. 6-month Euribor + 167 basis points.
5. 6-month Euribor + 107 basis points for the first 10 years and + 207 basis points for subsequent years, unless redeemed.
6. 1-year Euribor + 0.3 basis points.
7. 10-year CMS ISDA CIC + 10 basis points.
8. 10-year CMS ISDA + 10 basis points.
9. Fixed-rate 4.471 until October 28, 2015 and thereafter 3-month Euribor + 185 basis points.
10. 3-month Euribor + 665 basis points.

Note 23 Shareholders' equity

Note 23a Shareholders' equity (excluding unrealized or deferred gains and losses)

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Capital stock and additional paid-in capital and reserves	2,063	2,061
– Capital	*1,327*	*1,325*
– Premium relating to issue, transfer, merger, split, conversion	*736*	*736*
Consolidated reserves	9,625	8,896
–Regulated reserves	*7*	*7*
– Translation reserve	*0*	*20*
– Other reserves (including effects related to first application of standards)	*9,621*	*8,872*
– Retained earnings	*- 3*	*- 3*
Net income	930	852
Total	**12,618**	**11,809**

Note 23b Unrealized or deferred gains and losses

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Unrealized or deferred gains and losses[1] relating to:		
Available-for-sale financial assets		
– equities	*582*	*346*
– bonds	*- 80*	*- 1,272*
Cash flow hedges	- 99	- 105
Actuarial gains and losses	- 140	- 65
Translation adjustments	23	22
Share of unrealized or deferred gains and losses of associates	- 56	- 37
Total	**230**	**- 1,112**
Attributable to the Group	*91*	*- 1,078*
Minority interests	*138*	*- 34*

1. Net of tax.

Note 23c Recycling of gains and losses recognized directly in equity

	Movements 2012	Movements 2011 (restated)
Translation adjustments		
Other movements	2	- 5
Sub-total	**2**	**- 5**
Remeasurement of available-for-sale financial assets		
Reclassification in income	8	216
Other movements	1,420	- 946
Sub-total	**1,428**	**- 730**
Remeasurement of hedging derivative instruments		
Other movements	6	- 16
Sub-total	**6**	**- 16**
Remeasurement of non-current assets	0	0
Actuarial gains and losses on defined benefit plans	- 75	- 14
Share of unrealized or deferred gains and losses of associates	- 19	- 13
Total	**1,341**	**- 778**

Note 23d Tax on components of gains and losses recognized directly in equity

	Changes 2012			Changes 2011 (restated)		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	2		2	- 5		- 5
Remeasurement of available-for-sale financial assets	1,309	120	1,428	- 1,092	361	- 730
Remeasurement of hedging derivative instruments	0	6	6	- 19	2	- 16
Remeasurement of non-current assets	0		0	0		
Actuarial gains and losses on defined benefit plans	- 99	23	- 75	- 21	7	- 14
Share of unrealized or deferred gains and losses of associates	- 19		- 19	- 13		- 13
Total gains and losses recognized directly in shareholders' equity	**1,192**	**149**	**1,341**	**- 1,149**	**371**	**- 778**

Note 24 Commitments given and received

Commitments given

	Dec. 31, 2012	Dec. 31, 2011
Financing commitments		
To credit institutions	3,815	1,622
To customers	37,090	40,578
Guarantee commitments		
To credit institutions	1,317	2,257
To customers	13,309	13,188
Commitments on securities		
Other commitments given	242	429
Commitments given by Insurance business line	193	285

Commitments received

	Dec. 31, 2012	Dec. 31, 2011
Financing commitments		
From credit institutions	24,313	20,665
Guarantee commitments		
From credit institutions	26,755	28,589
From customers	5,349	5,669
Commitments received on securities		
Other commitments received	102	20
Commitments received by Insurance business line	5,595	6,735

Assets pledged as collateral for liabilities

	Dec. 31, 2012	Dec. 31, 2011
Loaned securities	4	5
Security deposits on market transactions	8,069	7,645
Securities sold under repurchase agreements	24,165	26,645
Total	**32,238**	**34,295**

For refinancing, the Group sells debt and/or shareholders' equity obligations under repurchase agreements, transferring ownership of securities that the beneficiary can then lend in turn. The borrower receives the coupons or dividends. These transactions are subject to margin calls and the Group is exposed to non-return of securities.

At December 31, 2012, the fair value of assets sold under repurchase agreements was €23,761 million.

Note 25 Interest income, interest expense and equivalent

	Dec. 31, 2012		Dec. 31, 2011	
	Income	Expense	Income	Expense
Credit institutions and central banks	1,486	- 1,486	1,854	- 1,406
Customers	9,405	- 4,848	9,833	- 4,359
of which finance leases and operating leases	*2,681*	*- 2,360*	*2,683*	*- 2,361*
Hedging derivative instruments	3,215	- 3,561	2,193	- 2,416
Available-for-sale financial assets	734		772	
Held-to-maturity financial assets	389		192	
Debt securities		- 2,084		- 2,174
Subordinated debt		- 94		- 113
Total	**15,229**	**- 12,073**	**14,844**	**- 10,468**

Note 26 Fees and commissions

	Dec. 31, 2012		Dec. 31, 2011	
	Income	Expense	Income	Expense
Credit institutions	7	- 3	5	- 4
Customers	832	- 10	878	- 11
Securities	650	- 69	702	- 87
of which funds managed for third parties	*459*		*476*	
Derivative instruments	3	- 5	4	- 13
Foreign exchange	15	- 2	17	- 3
Financing and guarantee commitments	27	- 4	27	- 6
Services provided	1,162	- 660	1,200	- 718
Total	**2,696**	**- 753**	**2,833**	**- 841**

Note 27 Net gain (loss) on financial instruments at fair value through profit or loss

	Dec. 31, 2012	Dec. 31, 2011
Trading derivative instruments	665	127
Instruments designated under the fair value option [1]	181	- 124
Ineffective portion of hedging instruments	7	- 31
– Cash flow hedges	0	0
– Fair value hedges	7	- 31
Change in fair value of hedged items	*- 1,198*	*- 20*
Change in fair value of hedging items	*1,205*	*- 12*
Foreign exchange gains (losses)	33	52
Total changes in fair value	**886**	**24**

1. Of which €98 million relating to the Private equity business line.

Note 28 Net gain (loss) on available-for-sale financial assets

	December 31, 2012			
	Dividends	Realized gains (losses)	Impairment losses	Total
Government securities, bonds and other fixed-income securities		89	0	89
Equities and other variable-income securities	7	15	20	41
Long-term investments	64	41	11	116
Other	0	- 3	0	- 4
Total	**71**	**141**	**31**	**243**

	December 31, 2011 (restated)			
	Dividends	Realized gains (losses)	Impairment losses	Total
Government securities, bonds and other fixed-income securities		15	0	15
Equities and other variable-income securities	9	15	- 40	- 15
Long-term investments	56	30	- 103	- 18
Other	0	- 81	0	- 81
Total	**65**	**- 20**	**- 143**	**- 99**

Note 29 Other income and expense

	Dec. 31, 2012	Dec. 31, 2011
Income from other activities		
Insurance contracts	9,822	8,431
Investment property	1	1
Rebilled expenses	63	61
Other income	876	851
Sub-total	**10,762**	**9,344**
Expenses on other activities		
Insurance contracts	- 8,246	- 7,304
Investment property:	- 22	- 21
– *net movements in depreciation, amortization and impairment (based on the accounting method selected)*	*- 22*	*- 20*
– *losses on disposals*	*- 1*	*- 1*
Other expenses	- 563	- 573
Sub-total	**- 8,831**	**- 7,898**
Other income and expense, net	**1,930**	**1,446**

Net income from the Insurance business line

	Dec. 31, 2012	Dec. 31, 2011
Earned premiums	7,695	7,642
Claims and benefits expenses	- 5,591	- 5,413
Movements in provisions	- 2,657	- 1,911
Other technical and non-technical income and expense	55	68
Net investment income	2,074	741
Total	**1,576**	**1,127**

Note 30 General operating expenses

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Payroll costs	- 2,819	- 2,617
Other operating expenses	- 2,321	- 2,285
Total	**- 5,140**	**- 4,902**

Note 30a Payroll costs

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Salaries and wages	- 1,824	- 1,730
Social security contributions	- 711	- 635
Employee benefits	- 4	- 7
Incentive bonuses and profit-sharing	- 113	- 94
Payroll taxes	- 161	- 148
Other expenses	- 6	- 3
Total	**- 2,819**	**- 2,617**

Number of employees

	Dec. 31, 2012	Dec. 31, 2011
Average number of employees		
Banking staff	25,858	26,294
Management	14,400	13,929
Total	**40,258**	**40,223**
Analysis by country		
France	29,271	29,789
Rest of the world	10,987	10,434
Total	**40,258**	**40,223**

Includes 284 employees of Targobank Spain and 92 employees of Banque Casino, consolidated using the proportional method.

	Dec. 31, 2012	Dec. 31, 2011
Number of employees at end of period[1]	43,034	42,901

1. The number of employees at the end of period corresponds to the total number of employees in all entities controlled by the group at December, 31. In contrast, the consolidated average number of employees (full-time equivalent, or FTE) is limited to the scope of financial consolidation (full or proportional consolidation).

Note 30b Other operating expenses

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Taxes and duties	- 221	- 205
External services	- 1,831	- 1,811
Other miscellaneous expenses (transportation, travel, etc)	20	15
Total	**- 2,032**	**- 2,001**

Note 30c Depreciation, amortization and impairment of property, equipment and intangible assets

	Dec. 31, 2012	Dec. 31, 2011
Depreciation and amortization	- 288	- 284
– *Property and equipment*	- 199	- 194
– *Intangible assets*	- 89	- 90
Impairment losses	- 1	0
– *Property and equipment*	*0*	*0*
– *Intangible assets*	- 1	*0*
Total	**- 289**	**- 284**

Note 31 Net additions to/reversals from provisions for loan losses

December 31, 2012	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	- 15	38	- 3	0	0	20
Customers	- 1,220	1,187	- 618	- 381	126	- 905
– Finance leases	- 5	8	- 5	- 3	1	- 4
– Other customer items	- 1,215	1,180	- 613	- 378	125	- 900
Sub-total	**- 1,235**	**1,225**	**- 620**	**- 381**	**126**	**- 885**
Held-to-maturity financial assets	0	0	0	0	0	0
Available-for-sale financial assets [1]	- 10	408	- 473	- 44	31	- 89
Other	- 46	60	0	- 2	0	12
Total	**- 1,291**	**1,693**	**- 1 094**	**- 427**	**156**	**- 962**

1. Of which €30 million from the disposal of Greek sovereign debt (see Note 7b).

December 31, 2011	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	- 3	51	0	0	0	48
Customers	- 1,346	1,383	- 680	- 359	106	- 896
– Finance leases	- 10	6	- 3	- 6	0	- 13
– Other customer items	- 1,336	1,377	- 676	- 353	106	- 883
Sub-total	**- 1,349**	**1,434**	**- 680**	**- 359**	**106**	**- 848**
Held-to-maturity financial assets	- 2	0	0	0	0	- 2
Available-for-sale financial assets [1]	- 461	1	- 40	- 50	44	- 506
Other	- 44	67	- 2	0	0	20
Total	**- 1,856**	**1,502**	**- 722**	**- 409**	**150**	**- 1,336**

1. Including an additional €451 million of provisions relating to Greek sovereign debt.

Note 32 Gains (losses) on other assets

	Dec. 31, 2012	Dec. 31, 2011
Property, equipment and intangible assets	12	102
– *Losses on disposals*	*- 12*	*- 8*
– *Gains on disposals*	*24*	*110*
Gain (loss) on consolidated securities sold	0	0
Total	**12**	**102**

Note 33 Change in value of goodwill

	Dec. 31, 2012	Dec. 31, 2011
Impairment of goodwill [1]	- 27	- 9
Negative goodwill recognized in income	0	0
Total	**- 27**	**- 9**

1. Goodwill relating to RMA of €87 million was written down in the amount of €27 million during 2012.

Note 34 Corporate income tax

Breakdown of income tax expense

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Current taxes	- 713	- 479
Deferred taxes	2	- 90
Adjustments in respect of prior years	0	17
Total	**- 711**	**- 552**

Reconciliation between the income tax expense recognized in the financial statements and the theoretical income tax expense

	Dec. 31, 2012	Dec. 31, 2011 (restated)
Taxable income	2,041	1,595
Theoretical tax rate	36.10%	36.10%
Theoretical tax expense	**- 737**	**- 576**
Impact of specific SCR and SICOMI tax rules	25	18
Impact of changes in deferred tax rates	0	30
Impact of the reduced rate on long-term capital gains	43	7
Impact of specific tax rates of foreign entities	1	7
Other	- 43	- 39
Income tax	**- 711**	**- 552**
Effective tax rate	**34.81%**	**34.59%**

Note 35 Earnings per share

	2012	2011 (restated)
Net income attributable to the Group	930	852
Number of shares at beginning of period	26,496,265	26,043,845
Number of shares at end of period	26,532,613	26,496,265
Weighted average number of shares	26,514,439	26,270,055
Basic earnings per share	35.07	32.44
Additional weighted average number of shares assuming full dilution	0	0
Diluted earnings per share	35.07	32.44

Note 36 Fair value of financial instruments recognized at amortized cost

The fair values presented are an estimate based on observable inputs at December 31, 2012. They are determined using discounted cash flows calculated based on a risk-free interest rate curve, to which is added, in the case of asset items, a credit spread computed at the CM11-CIC Group level and reviewed each year.

The financial instruments included here are those associated with lending and borrowing. They do not include non-monetary elements (equities), trade payables, other assets, other liabilities and accruals. Nonfinancial instruments are not covered by this information.

The fair value of financial instruments payable on demand and of regulated customer savings accounts corresponds to the value due to the customer, i.e. the carrying amount.

Certain entities in the Group may also apply the assumption that the market value is the carrying amount, in the case of contracts with variable interest rate terms or contracts whose residual term is equal to or less than one year.

We draw attention to the fact that, with the exception of financial assets held to maturity, financial instruments carried at amortized cost are not transferable or are not in practice traded before maturity. As such, no entries are made for related capital gains or losses.

However, should financial instruments carried at amortized cost be transferred, the selling price may be significantly different from the fair value calculated at December 31, 2012.

	Dec. 31, 2012		Dec. 31, 2011	
	Carrying amount	Market value	Carrying amount	Market value
Assets				
Loans and receivables due from credit institutions	70,703	70,666	66,055	66,015
Loans and receivables due from customers	165,775	169,312	165,358	166 832
Held-to-maturity financial assets	11,593	12,297	14,377	14 405
Liabilities				
Due to credit institutions	34,477	34,615	49,114	48,872
Due to customers	134,864	133,509	126,146	125,195
Debt securities	93,543	96,643	86,673	87,920
Subordinated debt	7,836	8,128	8,025	8,657

Note 37 Related party transactions

Statement of financial position items relating to related party transactions

	December 31, 2012				December 31, 2011 (restated)			
	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération Nationale	Parent companies CM11 Group	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération Nationale	Parent companies CM11 Group
Assets								
Loans, advances and securities								
– Loans and receivables due from credit institutions	*0*	*271*	*3,152*	*38,328*	*0*	*160*	*1,275*	*47,844*
– Loans and receivables due from customers	*32*	*0*	*36*	*0*	*40*	*0*	*44*	*0*
– Securities	*0*	*0*	*360*	*1,597*	*0*	*0*	*522*	*352*
Other assets	1	2	36	0	0	0	0	0
Total	**32**	**272**	**3,585**	**39,925**	**40**	**160**	**1,842**	**48,195**
Liabilities								
Deposits								
– Due to credit institutions	*0*	*3*	*3,443*	*7,766*	*0*	*0*	*4,470*	*15,275*
– Due to customers	*154*	*4*	*2,053*	*26*	*140*	*0*	*38*	*25*
– Debt securities	*0*	*0*	*1,217*	*0*	*0*	*0*	*1,003*	*3*
Other liabilities	39	0	207	1,250	32	0	174	1,250
Total	**194**	**6**	**6,921**	**9,041**	**172**	**0**	**5,685**	**16,553**
Financing and guarantee commitments								
Financing commitments given	0	76	0	2,200	0	102	0	0
Guarantee commitments given	0	21	0	0	1,108	0	0	2
Financing commitments received	0	0	0	0	0	0	0	0
Guarantee commitments received	0	0	282	748	0	0	226	564

Income statement items relating to related party transactions

	December 31, 2012				December 31, 2011			
	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération Nationale	Parent companies CM11 Group	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération Nationale	Parent companies CM11 Group
Interest received	9	1	51	1,220	11	0	67	1,356
Interest paid	- 2	0	- 87	- 160	0	0	- 129	- 348
Fees and commissions received	11	0	0	22	8	0	0	24
Fees and commissions paid	- 15	0	- 6	- 199	- 5	0	- 7	- 240
Other income (expense)	10	0	1	10	1	1	- 81	112
General operating expenses	- 311	7	0	- 38	- 279	1	0	- 35
Total	**- 298**	**8**	**- 41**	**856**	**- 264**	**1**	**- 149**	**868**

The Confédération Nationale included Caisse Centrale de Crédit Mutuel and Crédit Mutuel's regional federations not associated with the CM11-CIC Group.

The relationships with the parent companies mainly consist of loans and borrowings relating to cash management activities.

In the case of companies consolidated using the proportional method (Banque Casino, Bancas and Targobank Spain) the amounts include the portion of intercompany transactions not eliminated on consolidation.

Relationships with the Group's key management

Consistent with the regulatory changes (CRBF Regulation 97-02) and in compliance with professional recommendations, the Group's deliberative bodies, and in particular the Board of Directors of BFCM, made commitments in the area of remuneration for financial market professionals as well as remuneration for company officers and directors.

These commitments were disclosed in filings with the AMF and in documents published on BFCM's web site. Remuneration received by the BFCM Group officers and directors includes a portion related to their activities at Crédit Mutuel and CIC. For each of these activities, remuneration includes a fixed and a variable portion. This remuneration is set by the deliberative bodies of BFCM and CIC based on proposals from the respective remuneration committees. The fixed portion is determined on the basis of standard practices for positions of comparable responsibility. The variable portion is determined on a discretionary and lump sum basis. During the year, the Group's officers and directors also received the accidental death and disability and supplementary retirement benefit plans made available to all Group employees.

The Group's officers and directors did not receive any other specific benefits. They did not receive any equity securities, warrants or options to purchase BFCM or CIC shares. In addition, they do not receive any attendance fees in consideration of their board mandates, whether the boards are of Group companies or companies outside the Group but on whose board they sit as a result of their functions within the Group. The Group's officers and directors may also hold assets or borrowings in the financial statements of the Group's banks on the same terms and conditions offered to all other employees.

Total remuneration paid to key management[1]	Dec. 31, 2012	Dec. 31, 2011
Amounts in € thousands	Total remuneration	
Corporate officers - Management Committee Board members who receive remuneration	5,267	5,334

1. See also the section on corporate governance.

At its meeting of May 19, 2011, the Board of Directors of CIC approved a severance payment in case of termination of Mr. Lucas' term of office as CEO, subject to a performance-related condition and representing one year of his remuneration as a corporate officer, i.e. a commitment currently estimated at €770,000 (including social contributions).

At its meeting of May 8, 2011, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Fradin's term of office as COO, subject to a performance-related condition and representing one year of his remuneration as a corporate officer, i.e. a commitment currently estimated at €1,120,000 (including social contributions). In his capacity as a corporate officer, Mr. Fradin also benefits from a supplemental pension plan on the same terms and conditions offered to all other BFCM employees. 2012 contributions to the insurance company amounted to €17,604 and covered the entire commitment.

Note 38 Events after the reporting period and other information

The consolidated financial statements of the BFCM Group at December 31, 2012 were approved by the Board of Directors at its meeting of February 28, 2013.

Note 39 Exposure to risk

The risk exposure information required by IFRS 7 is included in Section IV of the management report.

Note 40 Statutory auditors' fees

In € thousands, excluding VAT	Ernst & Young			
	Amount 2012	**Amount 2011**	**% 2012**	**% 2011**
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	*174*	*141*	*5%*	*5%*
– Fully consolidated subsidiaries	*2,557*	*2,634*	*80%*	*86%*
Other assignments and services directly related to the statutory audit [1]				
– BFCM	*237*	*200*	*7%*	*7%*
– Fully consolidated subsidiaries	*152*	*11*	*5%*	*0%*
Sub-total	**3,120**	**2,986**	**98%**	**98%**
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related	*0*	*0*	*0%*	*0%*
– Other	*73*	*74*	*2%*	*2%*
Sub-total	**73**	**74**	**2%**	**2%**
Total	**3,193**	**3,060**	**100%**	**100%**

In € thousands, excluding VAT	KPMG Audit			
	Amount 2012	**Amount 2011**	**% 2012**	**% 2011**
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	*173*	*135*	*4%*	*3%*
– Fully consolidated subsidiaries	*3,650*	*3,625*	*76%*	*77%*
Other assignments and services directly related to the statutory audit [1]				
– BFCM	*249*	*250*	*5%*	*5%*
– Fully consolidated subsidiaries	*149*	*77*	*3%*	*2%*
Sub-total	**4,221**	**4,087**	**88%**	**87%**
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related	*19*	*0*	*0%*	*0%*
– Other	*553*	*630*	*12%*	*13%*
Sub-total	**572**	**630**	**12%**	**13%**
Total	**4,793**	**4,717**	**100%**	**100%**

1. Other assignments and services directly related to the statutory audit essentially consisted of assignments taken at the request of the supervisory authority to ensure compliance of the organization and its processes with regulatory requirements.

The total audit fees paid to auditors which are not members of the network of one of the auditors certifying the consolidated and individual financial statements of BFCM, mentioned in the table above, amounted to €8,351 thousand for the year 2012.

V.6 – Statutory auditors' report on the consolidated financial statements of BFCM Group

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
A unit of KPMG S.A.
1, cours de Valmy
92923 Paris-La Défense Cedex

Statutory Auditor
Member of the Versailles regional institute of accountants

Ernst & Young et Autres
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. à capital variable
(simplified stock company with variable capital)

Statutory Auditor
Member of the Versailles regional institute of accountants

Banque Fédérative du Crédit Mutuel
Registered office: 34, rue du Wacken - 67000 Strasbourg
Share capital: €1,326,630,650

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2012

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Banque Fédérative du Crédit Mutuel;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Notes 1.1 and 21 to the consolidated financial statements, which describe the early application as from January 1, 2012 of IAS 19 revised standard and its impact on the consolidated financial statements as at December 31, 2012.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The Group uses internal models and methods to value positions in financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in Notes 1.3 and 12 to the consolidated financial statements. We examined the control system applied to these models and methods, the parameters used and the identification of the financial instruments to which they apply.

• The Group recognizes impairment losses on assets available for sale when there is an objective indication of a prolonged or significant reduction in the value of these assets (Notes 1.3 and 7 to the consolidated financial statements). We examined the control system applied to the identification of impairment indicators, the valuation of the most significant items, and the estimates that led, where applicable, to the recognition of impairment provisions to cover losses in value.

• The Group carried out impairment tests on goodwill and investments held, which resulted, where relevant, in the recognition of impairment provisions in respect of this financial year (Notes 1.3 and 18 to the consolidated financial statements). We examined the methods used to implement these tests, the main assumptions and parameters used and the resulting estimates that led, where applicable, to impairment losses.

• The Group accounted for a correction of error over prior periods in the consolidated financial statements, as indicated in Notes 1.1 and 15 to the consolidated financial statements. The investment in Banco Popular Español (BPE) is now recognized according to the equity method. We examined the methods used with respect to this recognition, the main assumptions and parameters used and the resulting estimates. We also verified the correct restatement of the 2011 consolidated financial statements and the information provided in this respect in Note 15 to the consolidated financial statements.

• The Group records impairment losses to cover the credit and counterparty risks inherent to its business (Notes 1.3, 8a, 10, 21 and 31 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of losses in value by individual and collective impairment provisions.

• The Group records provisions for employee benefit obligations (Notes 1.3 and 21 to the consolidated financial statements). We examined the method used to assess these obligations, as well as the main assumptions and calculation methods used. With regard to the early application of IAS 19 revised standard, we verified the correct restatement of shareholders' equity as at January 1, 2012 and the information provided in Note 1.1 to the consolidated financial statements regarding the impact on financial year 2011.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Paris La Défense, April 19, 2013
The Statutory Auditors

KPMG Audit
A unit of KPMG S.A.
French original signed by

Jean-François Dandé
Partner

Ernst & Young et Autres
French original signed by

Olivier Durand
Partner

VI. KEY FINANCIAL POINTS RELATING TO BFCM'S ANNUAL FINANCIAL STATEMENTS

VI.1 – Management report on BFCM's annual financial statements

VI.1.1 – Statement of financial position

The statement of financial position at December 31, 2012 shows total assets of €162.4 billion, down 7.8% compared with the previous year.

On the liabilities side, amounts due to credit institutions total €56.5 billion and comprise mainly long-term borrowings from the Group's subsidiaries (€32.7 billion), the majority of which came from CIC and its regional banks (€7.8 billion) and CM-CIC SFH (€20.6 billion).

Amounts due to customers totaled €27.6 billion. This item consists essentially of demand deposits (€3.7 billion) and term accounts and loans of the financial clientele (€23.9 billion).

Total securities liabilities in the amount of €62.3 billion include securities given under collateralized repurchase agreements, interbank market securities (€10.1 billion) and debt securities (€23.8 billion) along with bond debt (€27.6 billion).

The Fund for General Banking Risks amounting to €61.6 million and the deeply subordinated notes totaling €2.1 billion remained unchanged in 2012. After a capital increase in June 2012 of €1.8 million, reserved for Caisse Régionale de Crédit Mutuel du Centre, total shareholders' equity and similar items reached €5.8 billion, excluding net income for the year.

On the assets side, the CM11-CIC Group's central treasury function is reflected mainly by loans and receivables from credit institutions in the amount of €107.9 billion. The refinancing provided to Caisse Fédérale de Crédit Mutuel to back the credits distributed by the Caisses de Crédit Mutuel and the specific uses amounted to €37.3 billion. BFCM's term refinancing activity also extends to Banque Européenne de Crédit Mutuel (€2.5 billion), Sofemo (€1.2 billion), the CIC Group (€46.1 billion), the Cofidis Group (€4.9 billion), the Casino Group (€0.5 billion) and other federal Caisses (€3.1 billion).

Loans and receivables due from customers totaled €7.2 billion. This amount corresponds to credit facilities, mainly targeting large corporates, as well as the refinancing of special purpose acquisition entities for BFCM's long-term equity investments.

Trading, available-for-sale and held-to-maturity securities round out the other uses of treasury funds (€32.8 billion).

Investments in subsidiaries and associates, which totaled €6.9 billion, consist mainly of investments in CIC (€2.9 billion), Groupe des Assurances du Crédit Mutuel (€1 billion) and Cofidis (€0.8 billion). Other equity investments stood at €1.8 billion. This item is made up primarily of interests in Banque Marocaine du Commerce Extérieur, Banque de Tunisie and Banco Popular Español.

Articles L 441-6-1 and D 441-4 of the French Commercial Code require companies to provide specific information on the maturity of the amounts due to suppliers. In the case of our company, the amounts are negligible.

VI.1.2 – Income statement

Interest income totaled €9.5 billion, including €8.2 billion from transactions with credit institutions.

Interest expense was €9.7 billion. The bulk of this expense consists of interest payable to credit institutions (€7.3 billion) and interest on securities issued (€1.8 billion).

Income from variable-income securities (equities) was mainly comprised of dividends received from BFCM subsidiaries.

The positive impact of €150 million on trading securities is primarily due to reversals of provisions for the bond portfolio hedged by swaps, which were set aside for prudential reasons in 2011.

Similarly, gains on available-for-sale securities (€290.3 million) consist mainly of reversals of impairment losses (€165.2 million). Gains on disposals from this portfolio amounted to €125.1 million.

After taking commissions and other items related to operations into account, net banking income stood at €613.9 million in 2012, compared with €374.7 million in 2011.

Operating expenses totaled 55.8 million in 2012, compared with 48.9 million in the previous year.

In 2012, net additions to provisions for loan losses of €2.8 million mainly related to reversals of provisions (€62.2 million) for Greek sovereign bonds, which were sold in 2012. In addition to this sale, we recorded a €60.2 million loss on non-recoverable receivables.

The balance of gains and losses on non-current assets mainly corresponds to gains on disposals of equity securities for €178.7 million and additions to provisions for €103.2 million.

In addition, €19,144 corresponding to non-deductible rents and depreciation on company vehicles was reintegrated into taxable income at the standard rate under ordinary French law.

Tax liability of the companies included in the consolidated tax group was attributed to BFCM's tax liability, which resulted in a €14.4 million income tax benefit.

Lastly, net income for the year stood at €649.4 million in 2012, compared with €289.8 million in 2011.

VI.1.3 – Proposals of the Board of Directors to the Shareholders' General Meeting

The proposed appropriation to the Shareholders' General Meeting involves the following amounts:

2012 net income:	€649,396,490.02
Unappropriated retained earnings:	+ €702,260.27
Total:	€650,098,750.29

We propose to:

– pay out a dividend of €2.65 per each of the 26,496,265 shares carrying dividend rights for the full year and a dividend of €1.33 per each of the 36,348 new shares entitled to dividends from June 23, 2012, for a total amount of €70,263,445.09. These dividends are eligible for deduction under Article 158 of the French General Tax Code (Code général des impôts - CGI);

– allocate to the legal reserve the amount of €181,740.00, bringing this reserve to 10% of BFCM's share capital;

– allocate to the discretionary reserve the amount of €579,000,000.00;

– carry forward the balance of €653,565.20.

In accordance with applicable legal provisions, we remind you that the dividends per share paid out during the past three years were as follows:

Year	2009	2010	2011
Amount in €	4.96	–	2.00
Dividend eligible for deduction under Article 158 of the French General Tax Code (CGI)	yes	–	yes

VI.2 – BFCM'S FINANCIAL STATEMENTS

VI.2.1 – Financial statements

Assets (in €)

	Dec. 31, 2012	Dec. 31, 2011
Cash, central banks, post office banks	218,659,164.54	617,937,786.92
Government securities and equivalent	2,476,328,859.97	3,196,459,292.64
Loans and receivables due from credit institutions	107,915,494,372.03	121,312,705,636.15
Loans and receivables due from customers	7,194,632,314.70	8,288,352,130.47
Bonds and other fixed-income securities	32,546,760,340.37	30,930,328,574.91
Equities and other variable-income securities	285,359,413.32	203,919,099.25
Long-term equity investments and securities	1,847,513,671.13	1,650,811,808.84
Investments in subsidiaries and associates	6,915,970,538.76	7,005,408,004.97
Finance leases and leases with purchase option	0.00	0.00
Operating leases	0.00	0.00
Intangible assets	3,000,141.00	3,000,141.00
Property and equipment	6,898,833.02	6,949,455.20
Subscribed capital unpaid	0.00	0.00
Treasury stock	0.00	0.00
Other assets	976,661,317.90	938,184,414.17
Accruals	1,994,919,807.36	2,052,309,190.17
Total assets	**162,382,198,774.10**	**176,206,365,534.69**

Off-statement of financial position

	Dec. 31, 2012	Dec. 31, 2011
Commitments given		
Financing commitments	14,101,538,786.67	3,937,454,729.22
Guarantee commitments	3,303,992,934.95	4,407,163,285.09
Securities commitments	0.00	0.00

Liabilities and shareholders' equity (in €)

	Dec. 31, 2012	Dec. 31, 2011
Central banks, post office banks	0.00	0.00
Due to credit institutions	56,469,898,662.74	84,071,255,704.59
Due to customers	27,697,119,663.47	20,615,004,647.40
Debt securities	62,275,855,453.68	56,979,058,251.53
Other liabilities	2,013,195,417.07	1,029,337,278.84
Accruals	1,433,818,796.38	1,451,675,847.50
Provisions for risks and charges	71,624,596.66	237,451,202.54
Subordinated debt	8,026,435,217.69	8,027,324,525.30
Fund for general banking risk (FGBR)	61,552,244.43	61,552,244.43
Shareholders' equity excluding FGBR	4,332,698,721.98	3,733,705,832.56
– Subscribed capital	1,326,630,650.00	1,324,813,250.00
– Additional paid-in capital	736,309,782.87	736,051,582.87
– Reserves	1,619,442,038.82	1,382,179,938.82
– Revaluation reserves	0.00	0.00
– Regulated provisions and investment subsidies	217,500.00	233,502.00
– Unappropriated retained earnings	702,260.27	662,237.10
– Net income for the year	649,396,490.02	289,765,321.77
Total liabilities and shareholders' equity	**162,382,198,774.10**	**176,206,365,534.69**

Off-statement of financial position

	Dec. 31, 2012	Dec. 31, 2011
Commitments received		
Financing commitments	24,046,932,141.65	19,865,124,233.96
Guarantee commitments	16,429,928.04	29,728,205.18
Securities commitments	125,592,056.68	185,705,000.39

Income statement (in €)

	Dec. 31, 2012	Dec. 31, 2011
Interest income	9,441,383,580.81	6,979,060,769.30
Interest expense	- 9,674,941,445.01	- 6,922,032,090.19
Income from lease and sale and leaseback transactions	0.00	0.00
Expenses on lease and sale and leaseback transactions	0.00	0.00
Income from operating lease transactions	0.00	0.00
Expenses on operating lease transactions	0.00	0.00
Income from variable-income securities	412,798,979.99	510,091,845.57
Fee and commission income	32,074,069.97	21,995,164.31
Fee and commission expense	- 28,969,038.61	- 35,912,730.30
Gains (losses) on trading securities transactions	149,917,416.44	- 125,064,013.98
Gains (losses) on available-for-sale securities transactions	290,279,090.26	- 77,004,515.63
Other operating income	742,991.21	63,467,686.68
Other operating expenses	- 9,338,499.10	- 39,866,366.39
Net banking income	**613,947,145.96**	**374,735,749.37**
Operating expenses	- 55,827,501.94	- 48,869,731.93
Depreciation, amortization and impairment of non-current assets	- 55,397.26	- 64,179.24
Gross operating income	**558,064,246.76**	**325,801,838.20**
Net additions to/reversals from provisions for loan losses	2,837,232.29	- 62,794,450.02
Operating income	**560,901,479.05**	**263,007,388.18**
Gains (losses) on non-current assets	75,482,588.18	- 34,794.23
Net income before tax	**636,384,067.23**	**262,972,593.95**
Non-recurring income (loss)	- 1,375,489.15	- 14,973,209.31
Corporate income tax	14,371,909.94	41,791,198.13
Net allocations to/releases from FGBR and regulated prov.	16,002.00	- 25,261.00
Net income	**649,396,490.02**	**289,765,321.77**

VI.2.2 – Notes to the BFCM's financial statements

Note 1 Accounting policies and methods

The financial statements of Banque Fédérative du Crédit Mutuel (BFCM) are prepared in accordance with the general accounting principles and rules promulgated by the Accounting Standards Authority (Autorité des Normes Comptables - ANC) approved by ministerial decree.

They are prepared on the basis of the prudence principle and the following fundamental principles:

– going concern,
– consistency,
– accruals.

Note 1.1 Measurement of receivables and payables and use of estimates for the preparation of the financial statements

Receivables and payables pertaining to customers and credit institutions are recognized on the statement of financial position at fair value or cost, if it is different from fair value.

Related accruals (accrued or outstanding interest due or payable) are combined with the corresponding asset and liability items.

The preparation of the financial statements may require the use of assumptions and estimates that have a material impact on income and expenses and of assets and liabilities in the statement of financial position and notes to the financial statements. In that case, management uses its judgment and experience to apply readily available information at the time of preparation of the financial statements in order to arrive at the necessary estimates.

Such is the case in particular for:

– the fair value of financial instruments not quoted on an active market;
– pension plans and other future employee benefits;
– the measurement of equity interests;
– provisions for risks and charges.

Note 1.2 Non-performing loans

All types of receivables are downgraded to non-performing status in the following situations:

– payment arrears of more than nine months for loans to local authorities, more than six months for home loans, and more than three months for other loans;
– when the receivable is subject to a legal dispute (notification procedures, adjustment, court-order liquidation, etc.);
– when the receivable presents other risks of total or partial non-recovery.

When a loan to an individual or legal entity is classified as non-performing, all commitments to that person or legal entity are reclassified as non-performing.

Impairment charges are recorded on non-performing receivables on an individual basis for each receivable.

Interest on unsettled, non-performing receivables and recognized on the income statement is covered by impairment charges for the full amount recognized. Impairment charges and releases of impairment, losses on non-recoverable receivables and recoveries on impaired receivables related to interest on non-performing receivables are recognized under "Interest income" on the income statement.

Provisions are recognized on the principal of the receivable based on the most likely estimate of impairment, in accordance with general prudential principles. The impairment calculation takes into account the net realizable value of personal or real guarantees related to the receivable.

The established provision covers the estimated loss, discounted using the original interest rate of the credit. Estimated losses are equivalent to the difference between the initial contractual cash flows and estimated recovery cash flows. The determination of the recovery cash flows is based in particular on statistics that make it possible to estimate average recovery rates over time starting from the time when the credit was downgraded to non-performing. A net release of provision following the passage of time is recognized in net banking income.

In accordance with CRC Regulation n°. 2002/03 as amended, non-performing loans that have been declared past due or classified as non-performing for more than one year are specifically identified as "irrecoverable non-performing loans." The bank has defined internal rules for automatic downgrades, which presume the irrecoverable nature of the receivable once it has been classified as non-performing for more than one year, unless the existence and validity of guarantees covering all the risks can be formally demonstrated. The recognition of interest on the receivable ceases once the loan has been classified as an "irrecoverable non-performing loan."

CRC Regulation 2002/03 as amended calls for special treatment of some restructured loans. If the amount involved is significant, the restructured loans are isolated in a special category. In that case, the waiver of claims to the principal or interest, outstanding or accrued, as well as future interest differences, are immediately recognized through loss, then gradually reintegrated as the loan is paid down. The number of loans involved and amounts at stake are limited, and the calculation of a discount would not have a material impact on the financial statements for the year.

Note 1.3 Securities transactions

Statement of financial position items:
– Government securities and equivalent
– Bonds and other fixed-income securities
– Equities and other variable-income securities
include trading, available-for-sale and held-to-maturity securities, depending on their nature.

This classification results from the application of CRBF Regulation 90/01 as amended, which establishes guidelines for the classification of securities depending on their use.

• Trading securities

This portfolio includes securities purchased or sold with the intention of a resale or repurchase within a short time period (typically less than six months) and that are negotiable on a market whose liquidity is assured. They are initially recognized at cost plus any acquisition costs and accrued interest. At the reporting date, trading securities are measured at fair value. The net gains and losses from changes in their value are shown through profit and loss.

• Available-for-sale securities

Available-for-sale securities are acquired with the intention of being held for more than six months in order to derive direct income or a capital gain. This holding period does not imply, for fixed-income securities, that they be held until maturity. Premiums or discounts recognized at the time fixed-income securities are acquired are spread over the life of the corresponding instrument, in accordance with the option offered by CRBF Regulation 90/01. At the end of the reporting period, an individual provision is recognized for unrealized capital losses on available-for-sale securities, adjusted for any impairment charges and net releases of differences described above. Unrealized capital gains are not recognized.

• Held-to-maturity securities

This portfolio includes fixed-income securities acquired with the intention of being held for the long term, typically until maturity, and for which either matching long-term financing resources or a permanent interest rate hedge exist. The difference recorded between the acquisition cost and the redemption value is spread over the life of the security. No impairment losses are recognized for unrealized capital losses.

Treasury bills, marketable debt securities and interbank market instruments classified in the available-for-sale and held-to-maturity portfolios are recognized at cost, including accrued interest at the time of purchase.

Interest income is calculated at the negotiated rate, while the amount of the premium or discount is amortized using the actuarial method.

Bonds included in the available-for-sale and held-to-maturity portfolios are recognized excluding accrued interest. Interest income is calculated at the nominal rate of the securities. When the acquisition price differs from the redemption value, this difference is amortized using the straight-line method and shown through profit or loss.

Securities denominated in foreign currencies are measured using the exchange rate on the reporting date or the most recent date. Measurement differences are shown through profit and loss on financial transactions.

• Reclassification of financial assets

In order to ensure greater harmonization and consistency with IFRS, the French National Accounting Council (CNC) published regulation 2008-17 of December 10, 2008 amending regulation 90-01 of the French Banking Regulatory Committee (CRB) related to the recognition of securities transactions. This regulation repeats the provisions of Opinion 2008-19 of December 8, 2008 relative to the reclassification of securities from the “trading securities” and “available-for-sale” categories.

The reclassification from the trading securities category to the held-to-maturity or available-for-sale categories is now possible in the following two cases:

a. in extraordinary market situations that require a change in strategy

b. when, following their acquisition, fixed-income securities are no longer traded on an active market, and if the institution intends and has the capacity to hold them for the foreseeable future or until maturity.

The effective date of the reclassification from the above-mentioned “trading securities” and “available-for-sale” categories may not be before July 1, 2008 and must be the same as that used for the institution in the consolidated financial statements.

At the close of the accounting period during which the reclassification from the “trading securities” and “available-for-sale” categories occurred, and at the end of each reporting period thereafter until such time as the securities are de-recognized from the statement of financial position through a sale, full redemption or impairment, the unrealized gain or loss that would have been shown through profit or loss if the trading security had not been reclassified or the unrealized loss that would have been shown through loss if the available-for-sale security had not been reclassified, as well as the profit, loss, income and expense shown through profit and loss are presented in the notes to the financial statements.

The impact of reclassifications executed in 2012 is presented in note 2.9.

• Temporary sales of securities

Temporary sales of securities are designed to guarantee loans and treasury borrowings through securities. They generally take two distinct forms, depending on the legal mechanism used, namely:
– sale and repurchase agreements; and
– securities lending and borrowing.

Sale and repurchase agreements consist legally of selling full ownership of the securities, with the buyer making an irrevocable commitment to retrocede them and the seller to repurchase them, at an agreed-upon price and date at the time the agreement is entered into. From an accounting standpoint, the securities given through a repurchase agreement continue to be recognized on their original line item and measured based on the rules of the portfolio in which they are classified. Meanwhile, the liability representing the amount deposited is recorded under liabilities. The receivable representing a repurchase agreement on securities received is recognized under assets.

Securities loans are consumer loans subject to the provisions of the French Civil Code, under which the borrower irrevocably commits to returning the borrowed securities at the end of the loan period. These loans are generally secured through a cash payment, which is held by the lender in the event of a default by the borrower. In that case, the transaction is likened to a sale and repurchase agreement and recorded as such for accounting purposes.

Note 1.4 Options

Premiums paid or received are recognized on the statement of financial position upon payment or deposit. At the time of settlement, they are immediately shown through profit or loss if they involve speculative transactions.

Premiums on unsettled options are measured at the reporting date when they are traded on an organized market. The difference is shown through profit and loss.

Note 1.5 Investments in equity interests

Investments in subsidiaries and other equity interests are measured at cost. Individual impairment is recognized when their fair value, measured in relation to the net financial position and/or future outlook, falls below the acquisition price.

Note 1.6 Non-current assets

In accordance with CRC Regulation 2002-10, property and equipment is depreciated over the useful life corresponding to the asset's actual period of use and taking into account, where applicable, any residual value. In the event that components of an asset have different useful lives, each is recognized separately and depreciated accordingly. Unscheduled depreciation may be applied in cases authorized by regulations if the allowed useful life for tax purposes is shorter than the useful life of the asset or component.

When indications of impairment arise, such as a loss in market value, an asset's obsolescence or physical deterioration, changes in the asset's utilization methods, etc., an impairment test designed to compare the carrying value of the asset relative to its current value is performed. If an impairment charge is recorded, the depreciable basis of the asset is adjusted in advance.

Note 1.7 Foreign currency translation

Receivables and payables as well as forward foreign exchange agreements recognized under off-statement of financial position commitments are converted using the market rate at the reporting date, with the exception of items denominated in currencies participating in the single European currency, for which the official conversion rates were retained.

Property and equipment are recognized at cost. Financial assets are translated using the rate at the end of the reporting period (see comments in the previous notes).

Income and expenses denominated in foreign currencies are recognized on the income statement using the exchange rate on the last day of the month in which they were received or paid; accrued expenses and income not yet paid on the reporting date are translated using the exchange rate on the closing date.

Unrealized and definitive gains and losses through currency translation are recognized at the end of each reporting period.

Note 1.8 Swaps

Pursuant to Article 2 of CRBF regulation 90/15, the bank may need to create three separate swaps portfolios depending on whether they have as their purpose (a) to maintain open and separate positions, (b) to hedge interest rate risk for a separate element or a set of similar elements, or (d) to enable the specialized management of a trading portfolio. The bank has no category (c) swaps portfolio, i.e. for the purpose of hedging overall interest rate risk.

In these conditions, transfers from one portfolio to the other are possible only as follows:

– Portfolio (a) to portfolio (b)
– Portfolio (b) to portfolio (a) or (d)
– Portfolio (d) to portfolio (b).

The fair value used to measure swaps for trading is based on the application of the discounted cash flow (DCF) method with a zero coupon yield curve. The fixed-rate branch is measured using the various maturities discounted on the basis of the yield curve, while the present value of the variable rate branch is measured on the basis of the current coupon applied to the notional value of the principal. The fair value is derived from the comparison of these two discounted values, after taking into account counterparty risk and future management fees. The counterparty risk is calculated in accordance with the provisions of Appendix 3 of CRBF regulation 91-05 related to the solvency ratio, to which an 8% equity ratio is applied. The management fees are then determined by adding a 10% ratio to this equity amount.

Any compensatory payments received or paid at the end of the swap are shown through profit and loss on a pro rata temporis basis over the life of the swap. In the event of an early cancelation of the swap, the compensatory payment received or paid is immediately recognized in income, unless the swap was initiated as a hedging transaction. In that case, the compensatory payment is shown through profit or loss based on the life of the initially hedged item.

In order to measure and monitor risk exposure from these transactions, overall sensitivity limits including interest rate and currency swaps are set by activity. These positions are regularly disclosed to the bank's executive body, as defined by Article L 511-13 of the French Monetary and Financial Code.

Note 1.9 Commitments for retirement, departure and long-service awards

The recognition and measurement of retirement and similar commitments are consistent with Recommendation 2003-R01 of the French National Accounting Council. The discount rate used is based on long-term government securities.

• Employee retirement plans

Retirement plans are administered by various institutions to which the bank and its employees make periodic contributions.

These contributions are recognized as expenses during the year in which they are due.

In addition, employees of Caisse Fédérale du Crédit Mutuel Centre Est Europe receive a supplementary retirement benefit plan financed by the employer through two insurance contracts. The first contract, authorized under Article 83 of the French General Tax Code (CGI), is for a defined contribution points-based capitalization plan. The second, authorized under Article 39 of the French General Tax Code (CGI), is a supplementary defined benefit plan on the B and C tranches. The commitments related to these plans are fully covered by established reserves. As a result, the employer has no residual commitment.

• Departure and long-service awards

Future departure and long-service awards are fully covered by insurance policies subscribed with the "Assurances du Crédit Mutuel" insurance company. The annual premiums take into account vested rights as of December 31 of each year, weighted by employee turnover and life expectancy ratios.

The commitments are calculated using the projected unit credit method in accordance with IFRS. The factors taken into account include the INSEE TF 00-02 actuarial tables, employee turnover, future salary increases, social security rates and the discount rate.

Commitments related to vested rights acquired by employees as of December 31 are fully covered by reserves established with the insurance company. Departure and long-service awards that have reached maturity and are paid out to the employees during the year are reimbursed by the insurance company.

Departure commitments are determined on the basis of a standard award to employees who take retirement on their own initiative upon reaching age 62.

Note 1.10 Fund for general banking risks

Created by CRBF regulation 90/02 related to shareholders' equity, this fund is the amount that the bank decides to allocate to general banking risks, which include its global interest rate and counterparty risk exposure.

The amounts allocated to this fund total €61.6 million, with no changes to this item recorded during the year.

Note 1.11 Provisions

Provisions allocated to asset items are deducted from the corresponding assets, which are therefore recognized at their net amount. Provisions related to off-statement of financial position commitments are recorded under risk provisions.

BFCM may be involved in a number of legal disputes; their ultimate outcome and financial consequences are regularly reviewed and, where necessary, allocations are made to provisions deemed necessary.

Note 1.12 Corporate income tax

BFCM is the lead company of a consolidated tax group established with some of its subsidiaries. It is solely responsible for paying the tax liability of these companies, additional company tax contributions and withholding tax for the tax group. The subsidiaries contribute to the tax payment as though no tax consolidation existed. In the event a company leaves the tax group, it would benefit statutorily from an indemnity corresponding to all tax surcharges resulting from its membership in the tax group.

The "Corporate income tax" item includes:

– corporate income tax due for the year and gains related to the tax consolidation, to which additional contributions are added;

– net additions to/releases from provisions related to the above-mentioned items.

The corporate income tax due for the year and additional contributions are determined in accordance with applicable tax regulations. Tax credits attached to income from securities are not recognized separately, but are deducted directly from the tax expense.

Tax provisions are calculated using the liability method, and take into account additional contributions depending on the respective maturities. They are not offset against any amounts due from the French Treasury.

• Provision for deferred taxes on future earnings of certain Economic Interest Groups (Groupements d'Intérêt Economique – GIE)

A special provision for deferred taxes was established to offset the impact of net losses of some Economic Interest Groups. This provision for risks and charges is subsequently gradually released depending on the future taxable income of the Economic Interest Groups.

• Provisions for taxes on lease agreements

These correspond to the future tax expense under Article 239 sexies of the French General Tax Code (CGI) on real estate lease agreements.

Certain tax adjustments on the corporate income tax due for the years 2001 to 2004 were notified to BFCM. Some of the grounds for these notifications are disputed; the resulting risk was covered through provisions recorded under liabilities on the statement of financial position.

Note 1.13 Basis of consolidation

The company is fully integrated within the consolidation scope of the CM11-CIC Group.

Note 1.14 Sites in non-cooperative countries and territories in the fight against tax fraud and evasion

The bank has no directly or indirectly owned sites in countries or territories subject to Article L 511-45 of the French Monetary and Financial Code.

Notes to the statement of financial position

The figures included in the following tables are expressed in thousands of euros.

Note 2.0 Changes in non-current assets

	Gross amount at Dec. 31, 2011	Additions	Disposals	Transfers or repayments	Gross amount at Dec. 31, 2012
Financial assets	32,812,473	10,412,148	200,541	(9,081,894)	33,942,186
Property and equipment	8,477	6			8,483
Intangible assets	3,000				3,000
Total	**32,823,950**	**10,412,154**	**200,541**	**(9,081,894)**	**33,953,669**

Note 2.1 Depreciation, amortization and impairment of non-current assets

Depreciation and amortization

	Accum. deprec. & amortiz. at Dec. 31, 2011	Expense	Reversals	Accum. deprec. & amortiz. at Dec. 31, 20112
Financial assets	0			0
Property and equipment	1,526	57		1,583
Intangible assets	0			0
Total	**1,526**	**57**	**0**	**1,583**

Impairment losses

	Accum. impairm. & losses at Dec. 31, 2011	Losses	Reversals	Accum. impairm. & losses at Dec. 31, 2012
Financial assets	53,028	103,200		156,228
Property and equipment	0			0
Intangible assets	0			0
Total	**53,028**	**103,200**	**0**	**156,228**

Note 2.2 Analysis of receivables and liabilities by residual maturity

Assets

	Three months or less	Between three months and one year	Between one and five years	More than five years and perpetual	Accrued interest and interest due	Total
Loans and receivables due from credit institutions						
Demand	11,382,514				24	11,382,538
Term	20,874,160	11,776,544	46,327,491	17,112,514	442,247	96,532,956
Loans and receivables due from customers						
Commercial loans	471,487					471,487
Other customer loans	508,788	505,294	3,487,719	2,075,505	41,633	6,618,939
Overdrawn current accounts	104,206					104,206
Bonds and other fixed-income securities	2,628,629	537,440	12,963,926	16,325,970	90,795	32,546,760
of which trading securities	*1,979,989*					*1,979,989*
Total	**35,969,784**	**12,819,278**	**62,779,136**	**35,513,989**	**574,699**	**147,656,886**

The maturity of non-performing loans is considered to be over five years.

Liabilities

	Three months or less	Between three months and one year	Between one and five years	More than five years and perpetual	Accrued interest and interest due	Total
Due to credit institutions						
Demand	12,586,250				1	12,586,251
Term	3,984,813	5,238,567	21,878,756	12,234,558	546,954	43,883,648
Due to customers						
Regulated savings accounts						
Demand						0
Term						0
Other liabilities						
Demand	3,700,948					3,700,948
Term	46,135	11,149	12,379,786	11,501,000	58,102	23,996,172
Debt securities						
Retail certificates of deposit						0
Interbank instruments and trading instruments	13,882,453	9,645,896	3,672,524	6,732,330	226,999	34,160,202
Bonds	4,075,000	4,184,718	13,822,915	5,513,941	519,079	28,115,653
Subordinated debt			2,600,000	5,353,896	72,539	8,026,435
Total	**38,275,599**	**19,080,330**	**54,353,981**	**41,335,725**	**1,423,674**	**154,469,309**

Note 2.3 Allocation of loans and receivables due from credit institutions

Loans and receivables due from credit institutions

	2012	Net change	2011
Demand	11,382,538	7,224,462	4,158,076
Term	96,532,956	(20,621,674)	117,154,630
of which irrecoverable loans	0	0	0
(Accumulated impairment losses)	*(0)*	*0*	*(0)*

Note 2.4 Allocation of loans and receivables due from customers

Excluding accrued income of €41,633 thousand from gross receivables	2012		
	Gross amount	**of which non-performing losses**	**Accumulated impairment losses**
By major types of counterparties			
Companies	7,147,612	146	146
Sole traders			
Individuals	3		
Governments	6		
Non-profit institutions	5,525		
Total	**7,153,146**	**146**	**146**
By business sector			
Farming and mining			
Retail and wholesale	279,568		
Industries	563		
Business services and holding companies	485,895	146	146
Services to individuals	3,981		
Financial services	6,087,895		
Real estate services	75,468		
Transportation and communication	219,776		
Unallocated and other			
Total	**7,153,146**	**146**	**146**
By geographical region			
France	2,388,222	146	146
Europe, excluding France	4,764,924		
Rest of the world			
Total	**7,153,146**	**146**	**146**

None of the non-performing loans is considered irrecoverable.

Note 2.5 Amount of commitments in respect of fully consolidated subsidiaries and other long-term equity investments

Assets

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Loans and receivables due from credit institutions		
Demand	4,597,968	3,434,507
Term	54,002,980	66,518,306
Loans and receivables due from customers		
Commercial loans		
Other customer loans	5,017,032	5,056,243
Overdrawn current accounts		
Bonds and other fixed-income securities	25,375,568	19,504,117
Subordinated receivables	2,335,949	2,343,033
Total	**91,329,497**	**96,856,206**

Liabilities

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Due to credit institutions		
Demand	4,587,689	13,173,827
Term	29,748,487	36,639,232
Due to customers		
Regulated savings accounts		
Demand		
Term		
Other liabilities		
Demand	160,448	437,532
Term	19,000,000	10,000,000
Debt securities		
Retail certificates of deposit		
Interbank instruments and trading instruments	1,046,590	737,726
Bonds	3,072,169	2,290,316
Other debt securities		
Subordinated debt	1,740,949	1,742,552
Total	**59,356,332**	**65,021,185**

This table includes the commitments given to and received from fully consolidated subsidiaries and other long-term equity investments, which are included in the consolidation scope of the "Crédit Mutuel Centre Est Europe" Group.

Note 2.6 Allocation of subordinated assets

	Amount at Dec. 31, 2012		Amount at Dec. 31, 2011	
	Subordinated amount	of which non-voting loan stock	Subordinated amount	of which non-voting loan stock
Loans and receivables due from credit institutions				
Term	1,360,934	33,662	1,355,037	22,537
Perpetual	291,000		291,000	
Loans and receivables due from customers				
Other customer loans	700,000	700,000	700,000	700,000
Bonds and other fixed-income securities	1,472,192	105,988	1,459,461	99,475
Total	**3,824,126**	**839,650**	**3,805,498**	**822,012**

Note 2.7 Subordinated debt

	Subordinated Note 2	Subordinated Note 3	Subordinated Note 4	Subordinated Note 5	Subordinated Note 6
Amount	700,000	800,000	300,000	300,000	500,000
Maturity	July 19, 2013	Sept. 30, 2015	Dec. 18, 2015	June 16, 2016	Dec. 16, 2016

	Subordinated Note 7	Subordinated Note 8	Subordinated Note 9	Deeply subord. Note
Amount	1,000,000	1,000,000	1,250,000	2,103,896
Maturity	Dec. 6, 2018	Oct. 22, 2020	Perpetual	Perpetual

Terms: Subordinated loans and notes have a lower priority than all other debts as regards repayment, with the exception of non-voting loan stock. The deeply subordinated notes have the lowest priority because they are expressly subordinated to all other debts of the company, whether unsecured or subordinated.

Early repayment option: Not permitted during the first five years unless accompanied by an increase in capital. Not permitted for subordinated notes, except in case of redemption in the market or a takeover bid (cash or share exchange). Restricted with regard to deeply subordinated notes because they are similar to Tier 1 capital.

Subordinated debt amounted to €8,026,435 thousand (including accrued interest).

Note 2.8 Securities investments: breakdown between trading, available-for-sale and held-to-maturity

	Trading	Available for sale	Held to maturity	Total
Government securities and equivalent		2,475,829	500	2,476,329
Bonds and other fixed-income securities	1,979,989	5,514,648	25,052,123	32,546,760
Equities and other variable-income securities		285,359		285,359
Total	**1,979,989**	**8,275,836**	**25,052,623**	**35,308,448**

Note 2.9 Securities investments: reclassifications

	Held-to-maturity securities reclassified in 2008	Amount due at Dec. 31, 2012	Amount outstanding at Dec. 31, 2012	Unrealized loss (impairment) if there was no reclassification	Amount of recovery if there was no reclassification
Available-for-sale securities	1,318,640	941,790	376,850	10,677	41,333
Total	**1,318,640**	**941,790**	**376,850**	**10,677**	**41,333**

In accordance with CRB (Comité de la Réglementation Bancaire, the French Banking Regulations Committee) regulation 90-01 on accounting for security transactions, as introduced by CRC (Comité de la Réglementation Comptable, the French Accounting Regulations Committee) regulation 2008-17 of December 10, 2008 with regard to reclassifications of securities from “trading securities” and from “available-for-sale securities” categories, BFCM did not make any such reclassification at December 31, 2012.

Note 2.10 Securities investments: differences between the acquisition price and the selling price of available-for-sale securities and held-to-maturity securities

Security type	Unamortized net discounts/premiums	
	Discount	Premium
Available-for-sale securities		
Bond market	41,997	42,438
Money market	164	
Held-to-maturity securities		
Bond market	6,101	52
Money market		37

Note 2.11 Securities investments: unrealized gains and losses

Amount of unrealized gains on available-for-sale securities:	591,099
Amount of unrealized losses on impaired available-for-sale securities:	120,950
Amount of unrealized losses on held-to-maturity securities:	22,978
Amount of unrealized gains on held-to-maturity securities:	168,192

Note 2.12 Securities investments: amount of receivables related to loaned securities

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Government securities and equivalent	0	0
Bonds and other fixed-income securities	0	0
Equities and other variable-income securities	0	0

Note 2.13 Securities investments: amount of assets and liabilities related to securities given under repurchase agreements

	Assets	Liabilities
Loans and receivables due from credit institutions		
Demand		
Term	1,042,000	
Loans and receivables due from customers		
Other customer loans		
Due to credit institutions		
Demand		
Term		
Due to customers		
Other liabilities		
Demand		
Term		
Total	**1,042,000**	

Note 2.14 Securities investments: allocation of bonds and other fixed-income securities by issuer

	Issuer		Accrued interest	Total
	Government agencies	Other		
Government securities, bonds and other fixed-income securities	2,622,454	32,277,116	123,519	35,023,089

Note 2.15 Securities investments: breakdown between listed and unlisted

	Amount of listed securities	Amount of unlisted securities	Accrued interest	Total
Government securities and equivalent	2,443,105	500	32,724	2,476,329
Bonds and other fixed-income securities	28,611,685	3,844,280	90,795	32,546,760
Equities and other variable-income securities	264,605	20,754		285,359
Total	**31,319,395**	**3,865,534**	**123,519**	**35,308,448**

Note 2.16 Securities investments: information on UCITS

	French UCITS	Foreign UCITS	Total
Variable-income securities - UCITS	1,799	10,402	12,201

	Capitalization UCITS	Distribution UCITS	Total
Variable-income securities - UCITS	12,201	0	12,201

Note 2.17 Securities investments: investments in subsidiaries, associates, and other long-term equity investments in credit institutions

	Amount invested in credit institutions at Dec. 31, 2012	Amount invested in credit institutions at Dec. 31, 2011
Available-for-sale and other longterm equity investments	1,753,032	1,505,269
Investments in subsidiaries and associates	3,722,708	3,844,978
Total	**5,475,740**	**5,350,247**

Note 2.18 Securities investments: information on available-for-sale securities

No available-for-sale securities were held at December 31, 2012.

Note 2.19 Associates that are unlimited liability corporations

Business name	Registered office	Legal form
REMA	Strasbourg	French general partnership (SNC)
CM-CIC Foncière	Strasbourg	French general partnership (SNC)
Société civile gestion des parts dans l'Alsace	Strasbourg	French investment trust (SCP)

Note 2.20 Reserves

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Legal reserve	132,481	130,219
Regulatory and contractual reserves	1,477,466	1,242,466
Regulated reserves		
Other reserves	9,495	9,495
Total	**1,619,442**	**1,382,180**

Note 2.21 Set-up costs, research and development costs and business goodwill

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Set-up costs		
Organization costs		
Start-up costs		
Capital increase and other costs		
Research and development costs		
Business goodwill		
Other intangible assets	3,000	3,000
Total	**3,000**	**3,000**

Note 2.22 Receivables eligible for refinancing with a central bank

At December 31, 2012, loans to customers eligible for refinancing with central banks amounted to €203,723 thousand.

Note 2.23 Accrued interest receivable or payable

Assets

	Accrued interest receivable	Accrued interest payable
Cash, central banks, post office banks		
Government securities and equivalent	32,724	
Loans and receivables due from credit institutions		
Demand	24	
Term	442,247	
Loans and receivables due from customers		
Commercial loans		
Other customer loans	41,633	
Overdrawn current accounts		
Bonds and other fixed-income securities	90,795	
Equities and other variable-income securities		
Available-for-sale and other long-term equity investments		
Investments in subsidiaries and associates		

Liabilities

	Accrued interest receivable	Accrued interest payable
Central banks, post office banks		
Due to credit institutions		
Demand		1
Term		546,954
Due to customers		
Regulated savings accounts		
Demand		
Term		
Other liabilities		
Demand		
Term		58,102
Debt securities		
Retail certificates of deposit		
Interbank instruments and trading instruments		226,999
Bonds		519,079
Other debt securities		
Subordinated debt		72,539
Total	**607,423**	**1,423,674**

Note 2.24 Other assets and other liabilities

Other assets

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Conditional instruments purchased	1,468	2,752
Settlement accounts on securities transactions	17,487	13,556
Sundry debtors	957,706	921,876
Carry back receivables		
Other stock and equivalent		
Other uses of funds		
Total	**976,661**	**938,184**

Other liabilities

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Other debts on securities		
Conditional instruments sold	1,468	2,755
Debts on trading securities		
of which debts on securities borrowed		
Settlement accounts on securities transactions	50,913	4,500
Payments outstanding on securities not fully paid up		21
Sundry creditors	1,960,814	1,022,061
Total	**2,013,195**	**1,029,337**

Note 2.25 Accruals

Assets

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Headquarters and branch - network		
Collections	287	
Other adjustments	58,620	331,423
Suspense accounts		
Potential losses on hedging contracts		
Forward financial instruments not yet settled	52,308	65,968
Deferred expenses	155,229	139,119
Prepaid expenses	11,312	10,635
Accrued income	1,668,909	1,405,692
Other accruals	48 255	99,472
Total	**1,994,920**	**2,052,309**

Liabilities

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Headquarters and branch - network		
Accounts unavailable due to collection procedures		1,724
Other adjustments	5,993	5,711
Suspense accounts		
Potential gains on hedging contracts		
Forward financial instruments not yet settled		
Deferred gains on hedging contracts		
Forward financial instruments settled	194,074	218,034
Deferred income	11,576	10,249
Accrued expenses	1,130,519	1,108,011
Other accruals	91,657	107,947
Total	**1,433,819**	**1,451,676**

Articles L 441-6-1 and D 441-4 of the French Commercial Code require companies to provide specific information on the maturity of amounts due to suppliers. In the case of our company, the amounts are negligible.

Note 2.26 Unamortized balance of the difference between the purchase price and the redemption price of debt securities

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Issuance premium on fixed-income securities	167,625	160,095
Redemption premiums on fixed-income securities	32,866	37,073
Total	**200,491**	**197,168**

Note 2.27 Provisions

	Amount at Dec. 31, 2012	Additions	Reversals	Amount at Dec. 31, 2011	Reversal lag
Provision for retirement benefits	1,120	1,120		0	< 3 years
Provision for swaps	61,958	1,551	132,577	192,984	< 1 year
Provision for taxes	1,750			1,750	< 1 year
Provision for guarantee commitments	5,388			5,388	> 3 years
Other provisions	1,409	1,338	37,258	37,329	< 1 year
Total	**71,625**	**4,009**	**169,835**	**237,451**	

Note 2.28 Equivalent in euros of assets and liabilities denominated in non-euro zone currencies

Assets

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Cash, central banks and post office banks		
Government securities and equivalent		
Loans and receivables due from credit institutions	13,347,503	11,296,303
Loans and receivables due from customers	97,321	226,313
Bonds and other fixed-income securities	579,854	20,937
Equities and other variable-income securities	17,437	30,903
Real estate development		
Subordinated loans		
Available-for-sale and other long-term equity investments	1,220,850	1,128,435
Investments in subsidiaries and associates		
Intangible assets		
Property and equipment		
Other assets	34,482	1,065
Accruals	76,998	71,858
Total foreign-currency denominated assets	**15,374,445**	**12,775,814**
Percentage of total assets	**9.47%**	**7.25%**

Liabilities

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Central banks and post office banks		
Due to credit institutions	2,778,308	6,389,777
Due to customers	1,034,348	2,762,595
Debt securities	8,195,945	4,428,558
Other liabilities	54,386	68,183
Accruals	122,896	65,290
Provisions		31
Subordinated debt		
Total foreign-currency denominated liabilities	**12,185,883**	**13,714,434**
Percentage of total liabilities	**7.50%**	**7.78%**

Notes to the off-statement of financial position items

Note 3.1 Assets pledged as collateral for commitments

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Assets pledged for transactions on forward markets		
Other assets pledged	35,604,513	34,308,285
of which to Banque de France	*32,725,017*	*27,866,902*
of which to Société de financement de l'économie française	*2,879,496*	*6,441,383*
Total	**35,604,513**	**34,308,285**

CM-CIC Home Loan SFH is a 99.99% owned subsidiary of BFCM. Its purpose is to issue, exclusively on behalf of its parent company, securities backed by mortgages and equivalent assets distributed through the Crédit Mutuel and CIC networks. Contractual provisions require BFCM to provide assets as a guarantee for the securities issued by CM-CIC Home Loan SFH, should certain events occur (such as a decline in ratings below a certain level or in the amount of mortgage loans). At December 31, 2012, this procedure had not been called upon.

Note 3.2 Assets received as collateral

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Assets received in pledge for transactions on forward markets		
Other assets received	381,807	947,011
of which from Société de financement de l'économie française	*381,807*	*947,011*
Total	**381,807**	**947,011**

The bank obtains refinancing from Caisse de Refinancement de l'Habitat through the issuance of promissory notes secured by receivables, in accordance with Article L 313-42 of the French Monetary and Financial Code. At December 31, 2012, assigned receivables totaled €10,103,479 thousand. The home loans securing these promissory notes are provided by the Crédit Mutuel Group, of which BFCM is a subsidiary. These loans amounted to €9,735,110 thousand at that same date.

Note 3.3 Forward transactions in foreign currencies not settled at December 31

Forward foreign exchange transactions

Amount at Dec. 31, 2012		Amount at Dec. 31, 2011	
Euros receivable	Foreign currencies payable	Euros receivable	Foreign currencies payable
versus		versus	
9,877,193	9,713,865	4,939,914	5,016,057
2,072,617[1]	*1,995,606*[1]	*409,950*[1]	*384,582*[1]

Foreign currencies receivable	Euros payable	Foreign currencies receivable	Euros payable
versus		versus	
8,003,935	8,049,429	7,001,049	6,676,178
3,157,096[1]	*3,119,918*[1]	*3,788,136*[1]	*3,568,982*[1]

Foreign currencies receivable	Foreign currencies payable	Foreign currencies receivable	Foreign currencies payable
versus		versus	
8,240,891	8,294,836	4,598,827	4,518,490

1. Of wich currency swaps.

Note 3.4 Other forward transactions not settled at December 31

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Transactions involving interest-rate instruments, carried out on regulated and similar markets		
Firm hedging transactions		
of which sales of futures contracts		
of which purchases of futures contracts		
Conditional hedging transactions		
Other firm transactions		
of which sales of futures contracts		
OTC transactions involving interest-rate instruments		
Firm hedging transactions	316,207,150	199,027,489
of which interest rate swaps	*312,734,389*	*192,378,504*
interest rate swaps denominated in foreign currencies	*3,472,761*	*6,648,985*
purchases of forward rate agreements		
sales of forward rate agreements		
Conditional hedging transactions	730 800	916,800
of which purchases of swap options		
sales of swap options		
of which purchases of caps and floors	*365,400*	*458,400*
sales of caps and floors	*365,400*	*458,400*
Other firm transactions	1,919,620	482,496
of which interest rate swaps	*1,919,620*	*482,496*
interest rate swaps denominated in foreign currencies		
OTC transactions involving foreign exchange instruments		
Conditional hedging transactions		11,466
of which purchases of foreign exchange options		*5,733*
sales of foreign exchange options		*5,733*
OTC transactions involving instruments other than interest-rate and foreign exchange instruments		
Firm hedging transactions		
of which purchases of non-deliverable forwards		
sales of non-deliverable forwards		
Conditional hedging transactions		
of which purchases of options		
sales of options		

Note 3.5 Analysis of forward transactions not yet settled by residual maturity

	Amount at Dec. 31, 2012			Amount at Dec. 31, 2011		
	0 - 1 year	1 - 5 years	> 5 years	0 - 1 year	1 - 5 years	> 5 years
Foreign currency transactions	21,426,405	4,180,185	451,540	14,283,668	1,790,032	137,024
Transactions involving interest-rate instruments, carried out on regulated markets						
Firm transactions						
of which sales of futures contracts						
of which purchases of futures contracts						
Other firm transactions						
of *which sales of futures contracts*						
OTC transactions involving interest-rate instruments						
Firm transactions	81,304,077	62,218,352	174,604,341	121,100,466	42,598,288	35,811,231
of which *swaps*	*81,304,077*	*62,218,352*	*174,604,341*	*121,100,466*	*42,598,288*	*35,811,231*
purchases of forward rate agreements						
sales of forward rate agreements						
Conditional hedging transactions	6,400	724,400		80,000	836,800	
of *which purchases of swap options*						
sales of swap options						
of which purchases of caps and floors	*3,200*	*362,200*		*40,000*	*418,400*	
sales of caps and floors	*3,200*	*362,200*		*40,000*	*418,400*	
Other conditional transactions						
OTC transactions involving foreign exchange instruments						
Conditional hedging transactions				11,466		
of which *purchases of foreign exchange options*				*5,733*		
sales of foreign exchange options				*5,733*		
OTC transactions involving other forward instruments						
Firm transactions						
of which *purchases of non-deliverable forwards*						
*sales of non-deliv*erable forwards						
Conditional transactions						
of *which purchases of options*						
sales of options						

Note 3.6 Commitments in respect of fully consolidated subsidiaries and other long-term equity investments

Commitments given

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Financing commitments	8,402,000	203,000
Guarantee commitments	3,257,609	3,213,403
Foreign exchange commitments	5,508,542	2,790,662
Commitments on forward financial instruments	157,569,568	5,745,702
Total	**174,737,719**	**11,952,767**

Commitments received

	Amount at Dec. 31, 2012	Amount at Dec. 31, 2011
Financing commitments		
Guarantee commitments	11,308	11,606
Foreign exchange commitments	5,326,011	2,672,182
Commitments on forward financial instruments		2,942
Total	**5,337,319**	**2,686,730**

This table comprises the commitments given and received in respect of fully consolidated subsidiaries and other long-term equity investments, which are included in the consolidation scope of the "Crédit Mutuel Centre Est Europe" Group.

Note 3.7 Fair value of derivative instruments

	Amount at Dec. 31, 2012		Amount at Dec. 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk - hedge accounting (macro-micro)				
Conditional or optional instruments			90	90
Firm instruments other than swaps				
Embedded derivatives	74,711	267,442	133,437	163,855
Swaps	4,305,207	2,611,928	2,558,586	2,255,226
Interest rate risks - excluding hedge accounting				
Conditional or optional instruments				
Firm instruments other than swaps				
Swaps	13,191,363	13,151,218	645,022	647,979
Foreign exchange risk				
Conditional or optional instruments				
Firm instruments other than swaps			9,596	9,431
Swaps	8,689	2,798	16,770	11,375

This note has been prepared in application of CRC regulations 2004-14 to 2004-19, which require the disclosure of the fair value of financial instruments. The fair value of derivatives is determined on the basis of market value or, in the absence of a market value, using market models.

Notes to the income statement

Note 4.1 Interest income and expense

Income	2012	2011
Credit institutions	8,231,066	5,896,677
Customers	208,684	212,491
Bonds and other fixed-income securities	841,721	741,118
Subordinated loans	98,713	105,154
Other similar income	25,411	23,621
Net reversal of (addition to) provisions relating to interest On non-performing loans		
Net reversal of (addition to) provisions on other similar income	35,789	
Total	**9,441,384**	**6,979,061**

Expenses	2012	2011
Credit institutions	7,330,178	4,685,200
Customers	499,624	380,880
Bonds and other fixed-income securities	1,360,626	1,400,841
Subordinated debt	379,991	366,713
Other similar expenses	104,522	52,609
Net addition to (reversal of) provisions relating to interest On non-performing loans		
Net addition to (reversal of) provisions for other similar expenses		35,789
Total	**9,674,941**	**6,922,032**

Note 4.2 Analysis of income from variable-income securities

	Amount 2012	Amount 2011
Available-for-sale equities and other variable-income securities	6,093	8,098
Subsidiaries, associates and other long-term equity investments	406,706	501,994
Medium-term available-for-sale securities		
Total	**412,799**	**510,092**

Note 4.3 Fees and commissions

Income	2012	2011
Credit institutions	284	285
Customers	3,805	2,975
Securities transactions	82	71
Foreign exchange transactions	2	2
Financial services provided	26,777	17,466
Off-statement of financial position transactions		
Other	1,124	1,196
Reversals from provisions relating to fees and commissions		
Total	**32,074**	**21,995**

Expenses	2012	2011
Credit institutions	961	641
Customers		
Securities transactions	8,943	25,824
Foreign exchange transactions	1,011	1,185
Financial services provided	16,724	6,843
Off-statement of financial position transactions		
Other	1,330	1,420
Additions to provisions relating to fees and commissions		
Total	**28,969**	**35,913**

Note 4.4 Gains (losses) on trading securities

	Amount 2012	Amount 2011
Trading securities	16,860	10,660
Foreign exchange	2,825	4,269
Forward financial instruments	(793)	(481)
Net impairment reversals (losses)	131,025	(139,512)
Total	**149,917**	**(125,064)**

Note 4.5 Gains (losses) on available-for-sale and similar securities

	Amount 2012	Amount 2011
Acquisition expenses on available-for-sale securities	(54)	
Net gain (loss) on disposals	125,094	(18,910)
Net impairment reversals (losses)	165,239	(58,095)
Total	**290,279**	**(77,005)**

Note 4.6 Other operating income and expenses

	Amount 2012	Amount 2011
Miscellaneous operating income	743	63,468
Miscellaneous operating expenses	(9,338)	(39,866)
Total	**(8,595)**	**23,602**

Note 4.7 Operating expenses

	Amount 2012	Amount 2011
Salaries and wages	5,329	4,859
Retirement benefits expense	641	588
Other payroll-related expenses	1,641	1,417
Profit-sharing and incentive plans	325	325
Payroll and similar taxes	895	825
Other taxes and duties	17,893	12,734
External services	34,734	34,472
Net additions to/reversals from provisions relating to operating expenses	1,120	
Reinvoiced expenses	(6,750)	(6,350)
Total	**55,828**	**48,870**

The total amount of direct and indirect remuneration paid in 2012 to directors and corporate officers of BFCM was €5,267,225.73 compared to €5,334,461.79 in 2011. No attendance fees were paid.

Related party transactions:

– At its meeting of May 19, 2011, the Board of Directors of CIC approved a severance payment in case of termination of Mr. Lucas' term of office as CEO, subject to a performance-related condition and representing one year of his remuneration as a corporate officer, i.e. a commitment currently estimated at €770,000 (including social security contributions);

– At its meeting of May 8, 2011, the Board of Directors of CIC approved a severance payment in case of termination of Mr. Fradin's term of office as COO, subject to a performance-related condition and representing one year of his remuneration as a corporate officer, i.e. a commitment currently estimated at €1,120,000 (including social security contributions). A provision was recognized for the outstanding amount at December 31, 2012. In his capacity as a corporate officer, Mr. Fradin also benefits from a supplemental pension plan on the same terms and conditions as all other BFCM employees. 2012 contributions to the insurance company amounted to €17,604.12 and covered the entire commitment.

Individual right to training (*Droit individuel à la formation*, DIF) hours earned by employees in accordance with Articles L 933-1 to L 933-6 of the French Labor Code totaled 2,767.

Pursuant to Decree 2008-1487 of November 30, 2008 relating to statutory auditors, the fees paid for the statutory audit amounted to €558,080.43. Fees for directly -related advisory and other services totaled €875,184.36.

Note 4.8 Net additions to/reversals from provisions for loan losses

	Amount 2012	Amount 2011
Additions to provisions for receivables		(62,794)
Reversals of provisions for receivables	63,045	
Loss on irrecoverable receivables covered by provisions	(60,208)	
Total	**2,837**	**(62,794)**

At December 31, 2011, the main addition to provisions related to Greek sovereign debt risk (72% coverage). This provision was reversed following the disposal of that debt in 2012.

Note 4.9 Gains (losses) on non-current assets

	Amount 2012	Amount 2011
Gains (losses) on property and equipment		1
Gains (losses) on financial assets	178,683	(36)
Impairment reversals (losses) on non-current assets	(103,200)	
Total	**75,483**	**(35)**

Note 5 Breakdown of corporate income tax

	Amount 2012	Amount 2011
(A) tax on ordinary income	25,641	7,337
(B) tax on extraordinary items		
(C) effects of tax consolidation	(40,013)	(48,807)
(A + B + C) income tax for the year	(14,372)	(41,470)
Additions to provisions relating to income tax		
Reversals from provisions relating to income tax		(321)
Total corporate income tax for the year	(14,372)	(41,791)

Five-year financial summary

(amounts in €)

1. Capital at the reporting date
a) Capital stock
b) Number of common shares outstanding
c) Par value of shares
d) Number of preferred shares (no voting rights) outstanding
2. Results of operations
a) Net banking income, income from securities investments and other income
b) Income before tax, profit-sharing, depreciation, amortization and provisions
c) Corporate income tax
d) Profit sharing
e) Income after tax, profit-sharing, depreciation, amortization and provisions
f) Earnings distributed
3. Earnings per share
a) Earnings after tax and profit-sharing, but before depreciation, amortization and provisions
b) Earnings after tax, profit-sharing, depreciation, amortization and provisions
c) Dividend per share
4. Employees
a) Average number of employees for the year
b) Payroll expense
c) Employee benefits (social security, benefit plans)

1. 26,496,265 shares carrying dividend rights for the full year and 36,348 new shares carrying entitlement to dividends from June 23, 2012.
2. A dividend of €2.65 was paid out for each share carrying dividend rights for the full year and a dividend of €1.33 was paid out for each new share carrying entitlement to dividends from June 23, 2012.
Nota bene: Pursuant to CRC (Comité de la Réglementation Comptable, the French Account ing Regulations Committee) regulation 2000-03, applied as from 2001, the amount of corporate income tax mentioned above includes tax due for the year and movements on related provisions.

2008	2009	2010	2011	2012
1,302,192,250.00	1,302,192,250.00	1,302,192,250.00	1,324,813,250.00	1,326,630,650.00
26,043,845	26,043,845	26,043,845	26,496,265	26,532,613 [1]
50 €	50 €	50 €	50 €	50 €
- 21,567,381.78	339,294,315.93	222,520,610.80	374,735,749.37	613,947,145.96
489,733,977.32	48,974,566.71	284,102,040.62	485,783,259.18	404,393,723.58
- 79,003,762.46 [NB]	- 106,072,636.66	- 11,742,875.03	- 41,469,790.81	- 14,371,909.94
65,584.31	217,872.50	93,768.43	120,989.88	62,577.07
- 130,608,227.75	330,938,950.34	302,074,929.32	289,765,321.77	649,396,490.02
0.00	129,177,471.20	0.00	52,463,198.60	70,263,445.09
21.75	5.95	11.36	19.89	15.78
- 5.01	12.71	11.60	10.94	24.48
0.00	4.96	0.00	2.00	2.65 [2]
			0.83	1.33 [2]
29	25	27	26	27
5,624,329.26	4,736,290.22	7,300,519.96	4,859,236.29	5,328,750.54
2,070,186.20	1,915,023.19	2,567,884.95	2,004,643.97	2,281,964.98

VI.3 – Information on subsidiary and associated companies

(amounts are expressed in thousands of euros)

A. Detailed information about subsidiaries, associates and other long-term equity investments whose gross carrying amount exceeds 1% of BFCM's capital (€13,266,306.50)			
	Capital at Dec. 31, 2011	Shareholders' equity other than capital and unappropriated earnings at Dec. 31, 2011	Percentage of capital held at Dec. 31, 2012
1. Subsidiaries (more than 50%-owned)			
Ventadour Investissement 1, SA, Paris	600,000	- 48,894	100,00
CM Akquisitions GmbH, Düsseldorf	200,025	- 208,592	100,00
Crédit Mutuel-CIC Home Loan SFH (formerly CM-CIC Covered Bonds)	120,000	1,359	100,00
Groupe Républicain Lorrain Communication, SAS, Woippy	1,512	78,291	100,00
CIC Iberbanco, SA à directoire et conseil de surveillance, Paris	25,143	44,887	100,00
EBRA, SAS	40,038	- 98,206	100,00
Banque du Crédit Mutuel Ile-de-France, SA, Paris	15,200	3,902	100,00
CM-CIC Immobilier (formerly Ataraxia)	31,137	34,146	100,00
Banque de l'Economie du Commerce et de la Monétique, BECM, SAS, Strasbourg	100,561	410,977	96,34
Société francaise d'édition de journaux et d'imprimés commerciaux "*L'Alsace*", SAS, Mulhouse	10,210	2,110	95,60
Carmen Holding Investissement, SA, Paris	489,967	490,976	83,50
France Est, SAS, Houdemont	34,400	106,576	80,00
Société du journal L'Est Républicain	2,400	- 17,639	72,75
Crédit Industriel et Commercial, SA, Paris [5]	608,440	8,344,000	72,56
Groupe des Assurances du Crédit Mutuel, SA, Strasbourg	1,118,793	1,431,372	52,81
2. Associates (10% to 50%-owned)			
Targobank Spain (formerly Banco Popular Hipotecario)	176,045	87,814	50,00
Banque du groupe Casino (as from January 1, 2012)	23,470	100,344	50,00
CM-CIC Lease, SA, Paris	64,399	41,115	45,94
Banque Marocaine du Commerce Extérieur, Casablanca [5]	1,719,635 [1]	13,158,000 [1]	26,21
Caisse de Refinancement de l'Habitat, SA, Paris	299,702	11,397	22,95
Banque de Tunisie, Tunis	112,500 [2]	328,249 [2]	20,00
Club Sagem, SAS, Paris	119,231	181,695	12,63
3. Other (less than 10%-owned)			
Banco Popular Español [5]	140,093	8,504,402	4,37
Euroclear, SA, Paris	10,265	520,920	2,50

1. Amounts in thousands of Moroccan dirham (MAD).
2. Amounts in thousands of Tunisian dinar (TND).
3. Revenue is "not applicable" for the company.
4. NBI for credit institutions.
5. Consolidated.

Carrying amount of investment held at Dec. 31, 2012		Outstanding loans and advances granted by the Bank at Dec. 31, 2012	Guarantees and securities given by the Bank at Dec. 31, 2012	Revenue at Dec. 31, 2011	Net income (loss) at Dec. 31, 2011	Net dividends received by the Bank in 2012
Gross	Net					
600,294	600,294	430,698	0	0 [3]	45,069	0
200,225	200,225	4,730,000	0	44,932 [4]	40,003	0
220,000	220,000	4,419,491	0	1,636 [4]	738	0
94,514	38,014	11,418	0	3,489	- 910	0
84,998	84,998	46,000	0	16,565 [4]	609	0
40,038	0	86,499	0	2,164	- 6,455	0
19,041	19,041	0	0	172 [4]	99	124
79,421	79,421	7,931	0	2,182	- 136	0
226,325	226,325	3,107,138	5,150,000	206,477 [4]	68,984	23,127
15,946	13,795	5,586	0	1,828	- 11,719	0
833,974	833,974	5,896,422	0	0 [3]	34,972	27,003
128,000	128,000	12,138	0	3,369	- 92	0
78,436	56,736	21,810	0	102,758	- 3,962	0
2,935,293	2,935,293	39,381,263	5,850,000	4,166,000 [4]	555,000	179,231
974,661	974,661	0	0	8,165,410	297,689	133,402
312,500	312,500	0	41,468	83,175 [4]	20,084	0
88,571	88,571	498,000	152,000	118,689 [4]	- 13,239	0
47,779	47,779	2,907,983	21,125	16,569 [4]	5,612	2,589
1,132,993	1,132,993	0	0	8,140,000 [1]	1,508,000 [1]	10,279
71,320	71,320	33,662	481,359	4,032 [4]	979	232
91,419	91,419	0	0	153,144 [2]	57,666 [2]	2,642
56,694	56,694	0	0	0 [3]	37,647	0
485,611	460,611	0	0	2,996,634 [4]	483,976	10,986
14,546	14,546	0	0	0 [3]	8,574	241

B. General information about subsidiaries, associates and other long-term equity investments			
	Capital at Dec. 31, 2011	Shareholder's equity other than capital and unappropriated earnings at Dec. 31, 2011	Percentage of capital held at Dec. 31, 2011
1. Subsidiaries not included in section A			
a) French subsidiaries (collectively) *of which SNC Rema, Strasbourg*			
b) Foreign subsidiaries (collectively)			
2. Associates not included in section A			
a) French associates (collectively) *of which Société de Gestion des Parts du Crédit Mutuel dans le Journal "L'Alsace", Société Civile, Strasbourg*			
b) Foreign associates (collectively)			
3. Other investments not included in section A			
a) Other investments in French companies (collectively)			
b) Other investments in foreign companies (collectively)			

Carrying amount of investment held at Dec. 31, 2012		Outstanding loans and advances granted by the Bank at Dec. 31, 2012	Guarantees and securities given by the Bank at Dec. 31, 2012	Revenue at Dec. 31, 2011	Net income (loss) at Dec. 31, 2011	Net dividends received by the Bank in 2012
Gross	**Net**					
52,906	42,645	1,262,282	0			3,378
305	*305*	*0*	*0*			*96*
0	0					
19,241	19,228	207	0			628
6,604	*6,604*					
3,152	3,152	0	0			3,700
10,965	10,398	0	0			56
586	586	0	0			0

VI.4 – Statutory auditors' report on the parent company financial statements

This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

KPMG Audit
A unit of KPMG S.A.
1, cours de Valmy
92923 Paris-La Défense Cedex, France

Statutory Auditor
Member of the Versailles regional institute of accountants

Ernst & Young et Autres
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1, France
S.A.S. à capital variable
(simplified stock company with variable capital)

Statutory Auditor
Member of the Versailles regional institute of accountants

Banque Fédérative du Crédit Mutuel S.A.
Headquarters: 34, rue du Wacken - 67000 Strasbourg, France
Share capital: €1,326,630,650

Statutory Auditors' report on the parent company financial statements

Year ended December 31, 2012

To the Shareholders,

In compliance with the assignment entrusted to us by your general meeting of shareholders, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of Banque Fédérative du Crédit Mutuel;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France: those standards require that we plan and perform the audit to obtain reasonable assurance about to whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2012, and of the results of its operations for the year then ended in accordance with French accounting principles.

2. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- The Company uses internal models and methods to value positions in financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in Note 1 to the financial statements. We examined the control systems applied to the models used and to the process of determining whether or not a market is inactive and the criteria used.
- As stated in Notes 1 and 2.4 to the financial statements, the Company records impairment losses and provisions to cover the credit risks inherent to its business. We examined the control systems applicable to the monitoring of credit risk, the assessment of the risk of non-recovery and the coverage of said risks, as regards assets by specific impairment losses and as regards liabilities by general provisions to cover credit risks.

• The Company made other estimates in the usual context of preparing its financial statements, in particular as regards the valuation of investments in subsidiaries and associates and other long-term equity investments, and the assessment of retirement benefit obligations recognized and provisions for legal risks. We examined the assumptions made and verified that these accounting estimates are based on documented methods in accordance with the principles described in Note 1 to the financial statements.

• These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders on the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information

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

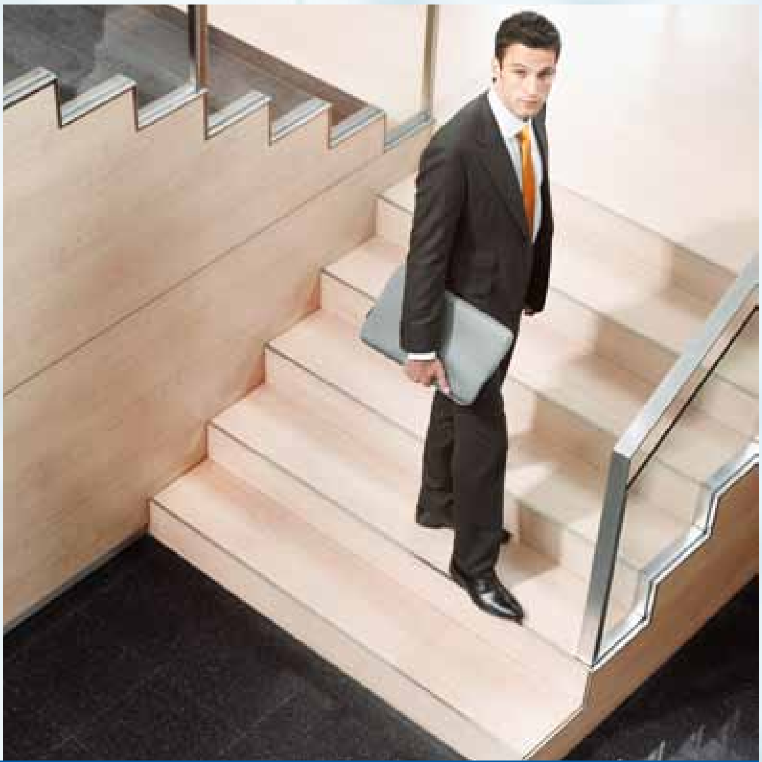
Paris La Défense, April 19, 2013
French original signed by The Statutory Auditors

KPMG Audit
A unit of KPMG S.A.
French original signed by

Jean-François Dandé
Partner

Ernst & Young et Autres
French original signed by

Olivier Durand
Partner



VII. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

VII.1 – General information

VII.1.1 – Introduction

In 2006, Crédit Mutuel developed a methodology for compiling CSR indicators which has gradually been extended to include the entire Group. It is regularly updated and enhanced by a national working group on Social and Environmental Responsibility that includes the various regional federations of Crédit Mutuel and the Group's principal subsidiaries. Crédit Mutuel's employees and elected representatives are made aware of CSR through the various communication channels.

The approach behind the methodology is based in particular on Article 225 of the Grenelle 2 law, the New Economic Regulations (NRE) law, the method recommended by the French Agency for the Environment and Energy Management (ADEME) (V2) for assessing greenhouse gas emissions, the cooperative principles of the International Co-operative Alliance (ICA), the Cooperative Identity Charter, the Global Compact (member since 2004), the transparency code of the Association Française de Gestion Financière – Forum pour l'Investissement Responsable (AFG-FIR) – French Asset Management Association – Forum for Responsible Investment), and the label of the Comité Intersyndical de l'Epargne Salariale (CIES – Inter-Union Committee on Employee Savings Plans).

The requirements of Article 225 of the Grenelle 2 law involve four key areas :
– governance criteria,
– employment criteria,
– environmental criteria,
– social criteria.

VII.1.2 – Governance criteria

When it undertook the task of developing indicators, the CM11-CIC Group expressed the desire to have indicators related to this area. They supplement the chapter entitled "Corporate Governance" of this document and relate only to the mutual bank segment of the CM11-CIC Group.

VII.1.3 – Employment criteria

At December 31, 2012, BFCM Group employed 42,478 people, including 7,624 outside France.

Work organization

As it is throughout the CM11-CIC Group, the work week in France consists of 35 hours, compared to 39 hours at Targobank Germany and 37 hours at Targobank Spain.

Health and safety

At the Group level, measures have been taken to prevent and reduce risk in the event of a pandemic. In addition, actions aimed at preventing stress and identifying unacceptable behavior in the workplace have been taken at various Group entities. At CIC Paris, a single operational risk assessment document, a job strenuousness evaluation grid, hearing days (audiometry tests) and breathing days (spirometry tests) have been introduced.

Safety regulations also exist. They are posted in the relevant subsidiaries (Euro-Information, etc.) and employees are asked to observe them. Regulations include wearing protective headgear and shoes in the envelope stuffing workshops, wearing gloves in the mail department, etc.

The Health and Safety Committee (CHSCT) ensures that safety rules are observed at each entity.

Diversity, equal opportunity and equal treatment

Negotiations on gender equality within the Group are ongoing. Women represent 32.74% of managerial staff within the CM11-CIC Group and 33% within BFCM Group.

A partnership has been formed with the French employment center (Pôle Emploi) to subcontract administrative tasks to companies and workshops that employ the disabled.

When banks or branches are renovated or when new banks are opened, accessibility criteria are taken into account.

Training

Investments in employee training represent 4.14% of payroll costs and 24,876 employees have received training.

International Labour Organization (ILO)

Given its activities and the location of its sites, BFCM Group does not believe that issues related to the elimination of forced or compulsory labor or child labor apply to it directly. Nevertheless, the Group promotes compliance with the Conventions of the international Labour Organization and Respect for Human Rights.

VII.1.4 – Environmental criteria

Given their commercial nature, BFCM Group's activities have limited environmental impacts. Nevertheless, areas of progress have been identified and improvement targets have been set based on the nature of our business (reduction in paper consumption, better management of travel and energy consumption, particularly in terms of lighting, heating, putting computers in standby mode, etc.).

The Group subcontracts cleaning of its premises to GSF, which has a "CSR" charter available on its website: http://www.gsf-fr.net/developpement-durable.htm.

Reasons for environmental exclusions

Given their nature, BFCM Group does not believe that its activities cause noise pollution, land pollution or other serious forms of pollution at its places of operation. Moreover, the Group does not believe that it has an impact on biodiversity. As a result, these environmental issues have not prompted the Group to take specific actions at this time. The creation of provisions and guarantees for environmental risks is therefore unnecessary.

The Group is not particularly vulnerable to the effects of climate change and has therefore not felt it necessary to explore the issue of adaptation to climate change.

VII.1.5 – Social criteria

The customer relationship is enhanced by the various communication channels (telephone, Web, messaging) that perfectly complement the branch's activities. In particular, exchanges of information via secure messaging (which provides an optimal level of confidentiality) and appointments made directly by the customer are some of the new efficient services offered to customers, thanks in particular to the remote banking application made available on various smartphones and tablets.

Fair practices

The Group makes a mediator available to the Federations and subsidiaries to settle disputes and problems between customers and the network. Each Federation and regional bank has its own mediation manager.

The out-of-court recovery process for private individuals in difficulty and, in particular, first-time homebuyers, has been formalized. A partnership has been formed with the French departmental association for improving the structure of agricultural holdings (ADASEA) for farmers in difficulty.

BFCM Group also enforces the provisions of the code of ethics applied throughout the CM11-CIC Group. This code, which lays down the rules of good conduct that must be observed by employees, particularly with respect to customers, is based on adherence to the following general principles :

– best serve the customer's interests ;
– strictly observe confidentiality rules ;
– perform one's duties with diligence and professionalism ;
– act with integrity when at work.

Employees who hold "sensitive positions", including those involved in market, portfolio management and financial analysis activities, as well as those who are vulnerable to conflicts of interest or hold confidential information, are subject to rules governing and limiting their personal transactions.

VII.2 – Methodology note – Indicators

The standardized collection and reporting process, which is common to all entities of the Crédit Mutuel Group, ensures the consistency of the information provided in this report.

This ultimately consists of a data collection tool that is implemented annually throughout the Group. Nearly 400 items are collected and reviewed on a regular basis in order to report on 39 of the 42 indicators required by Article 225 of the Grenelle 2 law, as well as numerous indicators related to the Group's cooperative and democratic approach.

Data collection is announced in the fall so as to mobilize all the departments concerned and organize the transmission of information and consistency checks. For over four years, a weekly newsletter dedicated to social and environmental responsibility has been made available to help mobilize and train the various contributors.

The indicators take into account the various reporting guidelines that exist and draw, in particular, on :

– Article 225 of the Grenelle 2 law ;
– greenhouse gas assessments (Decree 2011-829 of July 11, 2011) ;
– the principles of the International Co-operative Alliance (ICA) ;
– the Cooperative Identity Charter of CoopFR (organization that represents the French cooperative movement) ;
– the ILO (recommendation 193 concerning cooperatives) ;
– the OECD (guidelines) ;
– the Global Compact (member since 2001) ;
– the Global Reporting Initiative (version 3) ;
– the transparency code of the Association Française de Gestion Financière – Forum pour l'Investissement Responsable (AFG-FIR – French Asset Management Association – Forum for Responsible Investment) ;
– the label of the Comité Intersyndical de l'Epargne Salariale (CIES – Inter-Union Committee on Employee Savings Plans) ;
– regular exchanges with stakeholders (shareholders' meetings, NGOs, non-financial rating agencies, etc.) ;
– group discussions on "CSR" practices at European cooperative banks and in other cooperative sectors.

The activities of BFCM Group used for reporting include banking, insurance, IT and real estate. The press activity is not part of this scope.

In addition, the paper consumption published does not reflect actual consumption, which the reporting tool was unable to provide for this year.

The aim of this report is not to present all information related to the Group's CSR and, in some cases, only partial information or no information at all is provided. The principal requirements of Grenelle 2 are presented in a confederal CSR assessment published at the national level. The details are as follows :

I. Subject to the provisions of paragraph 3 of Article R. 225-105, the Board of Directors or Executive Board of a company that satisfies the conditions set out in paragraph 1 of Article R. 225-104 must, for the purposes of implementing the provisions of paragraph 5 of Article L. 225-102-1, provide the following information in its report :	Crédit Mutuel Group indicators provided in the CSR report
1. Employment information	
a) Employment	
– total number of employees and breakdown by gender, age and geographic region	SO 1 to SO 12
– hiring and dismissals	SO 13 to SO 26, SO 73 to SO 77
– salaries, including changes	and SO 80 to SO 82
b) Work organization	
– work time organization	SO 27 to SO 37
c) Industrial relations	
– organization of social dialogue, including procedures for informing, consulting and negotiating with staff;	SO 67 ; 78 ; 79 ; 87
– collective agreements	SO 83 to SO 86
d) Health and safety	
– workplace health and safety conditions	SO 38 to SO 44
– agreements signed with labor unions or staff representatives related to workplace health and safety	SO 45
e) Training	
– training policies implemented	SO 46 to SO 55
– total number of training hours	SO 50
f) Equal treatment	
– measures taken to promote gender equality	SO 56 to SO 63
– measures taken to promote employment and occupational integration of the disabled	SO 68 to SO 72
– anti-discrimination policy	SO 64
2. Environmental information	
a) General environmental policy	
– way in which the company is organized to address environmental issues and, where applicable, procedures related to environmental evaluation or certification	ENV 1 to ENV 3 and ENV 40 to 41
– measures taken to train and inform employees about environmental protection	ENV 43
– means used to prevent environmental risks and pollution	ENV 44
b) Pollution and waste management	
– measures taken to prevent, reduce or remove emissions in the air, water and soil seriously impacting the environment	ENV 31 to ENV 38
– waste prevention, recycling and disposal measures	ENV 39
– awareness of noise pollution and any other type of pollution specific to an activity	ENV 45
c) Sustainable use of resources	
– water consumption and supply based on local constraints	ENV 4
– consumption of raw materials and measures taken to ensure their efficient use	ENV 5 to ENV 8
– energy consumption, measures taken to improve energy efficiency and the use of renewable energies	ENV 51 to ENV 75
d) Climate change	
– greenhouse gas emissions	ENV 31 to ENV 45
e) Protection of biodiversity	
– measures taken to preserve or develop biodiversity	ENV 50

3. Information regarding social commitments in favor of sustainable development	
a) Territorial, economic and social impact of the company's activities	
– in terms of employment and regional development	SOT 1 to SOT 9
– on neighboring or local populations	SOT 10 to SOT 42
b) Relations with people or organizations affected by the company's activities, including social and occupational integration associations, educational institutions, environmental protection associations, consumer groups and neighboring populations	
– conditions for dialogue with these people or organizations	SOT 43 to SOT 47
– partnership or sponsorship initiatives	SOT 48 to SOT 58
c) Subcontracting and suppliers	
– the role of social and environmental issues in the purchasing policy	SOT 81

II. Subject to the provisions of paragraph 3 of Article R. 225-105, and in addition to the information stipulated in section I, the Board of Directors or Executive Board of a company whose shares are traded on a regulated market must provide the following information in its report :	Crédit Mutuel Group indicators provided in the CSR report
1. Employment information	
b) Work organization	
– absenteeism	SO 38 to SO 43
d) Health and safety	
– workplace accidents, including their frequency and severity, as well as work-related illnesses	SO 44
g) Promotion of and compliance with the provisions of the Conventions of the International Labour Organization related to	
– respect for freedom of association and collective bargaining rights	SO 78 and SO 79
– elimination of discrimination in employment and occupation	SO 64
– elimination of forced or compulsory labor	SO 65
– effective abolition of child labor	SO 66
2. Environmental information	
a) General environmental policy	
– the amount of provisions and guarantees for environmental risks, provided that such information is not likely to seriously harm the company in a pending lawsuit	ENV 48
c) Sustainable use of resources	
– land use	ENV 49
d) Climate change	
– adaptation to the effects of climate change	ENV 51 to ENV 75
3. Information regarding social commitments in favor of sustainable development	
c) Subcontracting and suppliers	
– the extent to which subcontracting is used and the importance given to the social and environmental responsibility of suppliers and subcontractors	SOT 81
d) Fair practices	
– measures taken to prevent corruption	SOT 79
– measures taken to ensure consumer health and safety	SOT 80
e) Other measures taken to promote human rights which come under this section 3.	

: Indicators not reported.

The information published reflects the Group's desire to be transparent and objectively describe the most relevant actions that attest to its CSR commitment. This commitment takes the form of a sound cooperative governance model, a locally-based economic and social approach, an employment policy guided by mutualist values, and an environmental approach centered around actions designed to reduce its greenhouse gas emissions.

VII.3 – Reporting – 2012

	Regulatory scope
Governance (the data provided applies only to the regulatory scope[1])	
Number of local Caisses	1,360
Number of elected representatives – Local Caisses	16,298
Number of elected representatives – Federation	271
Number of directors invited to Board meetings of local Caisses	10,702
Number of directors in attendance at Board meetings of local Caisses	9,076
Representation	
Number of newly elected representatives – Local Caisses	1,362
o/w women	*617*
Number of newly elected representatives – Federation	11
o/w women	*2*
% of directors who are women	45.08%
% of Chairpersons who are women	21.40%
Training	
Number of directors or corporate officers who have taken at least one training course during the year	5,402
Total number of training hours offered	78,583
Share-owning members-Customers	
Number of customers of local Caisses	6,631,804
o/w private individuals	*5,925,653*
Number of share-owning members	4,365,077
% of individual customers who are share-owning members	73.66%
Participation in Shareholders' Meetings	
Number of share-owning members invited	4 290,123
Number of share-owning members present or represented	216,324
% participation in voting	5.04%

1. The regulatory scope includes the 11 Crédit Mutuel federations, the Caisses de Crédit Mutuel that are members of their respective federation and Caisse Fédérale de Crédit Mutuel.

	CM11-CIC Group	BFCM Group
Employment information		
Employment		
Total number of employees[1]	**55,695**	**37,194**
o/w France	48,035	29,571
o/w non-managerial staff	33,364	20,577
o/w men	24 842	17,029
Recruitment		
Total number of new hires	9,028	6,154
o/w men	3,734	2,645
o/w permanent contracts	3,277	2,406
	CM11-CIC Group	**BFCM Group**
Dismissals and reasons		
Number of employees under permanent contracts who left the organization	7,905	5,396
o/w dismissals	575	458
Existence of staff reduction and employment protection plans ?	no	no

Work organization, work time and absenteeism		
Full-time/Part-time [2]		
Number of full-time employees	51,820	34,452
Number of part-time employees	4,682	3,244
Absenteeism and reasons		
Number of days of absence	436,438	425,921
due to illness	422,823	282,482
due to workplace accidents	13,615	9,030
Number of work-related illnesses	2	2
Health and safety conditions		
Number of reported workplace accidents, with sick leave	343	262
Training and occupational integration		
Payroll costs invested in training (euros)	49,454,678	29,782,750
% of payroll costs dedicated to training	3.75%	1.87%
Total number of hours dedicated to employee training	1,506 467	931,511
Equal opportunity		
Gender equality		
% of managerial staff who are women	32.74%	33
% of women promoted to management positions	31.26%	37
Promotion of and compliance with the provisions of the Conventions of the International Labour Organization		
Number of convictions for interference with the proper functioning of the Works Committee (in France)	no	no
Employment and integration of disabled workers		
Number of disabled workers	520	382
% of employees who are disabled	1%	1.03%
Social dialogue		
Salaries, including changes		
Gross payroll costs (euros)	2,312,140,381	1,592,458,789
Average annual gross salary (in euros) – all statuses	41,635	39,953
Average annual gross salary (in euros) – all non-managerial staff	27,980	25,097
Average annual gross salary (in euros) – managerial statuses	56,437	55,286
Social contributions		
Total amount of social contributions paid (euros)	1,346,336,459	851,849,049
Industrial relations and collective agreements		
What agreements were signed in 2012 ? State signature date and purpose of the agreements	see footnote 3	

1. FTE (full-time equivalent).
2. working at the company at December 31, 2012.
3. Crédit Mutuel organizes a regular social dialogue with the social partners and, further to the previous agreement of May 16, 2006, on June 19, 2012 signed a collective agreement on the right to organize and social dialogue with all six labor unions that represent its employees. Moreover, the sector joint bodies that oversee and monitor training and employment (CPNE – national joint commission for employment, Observatoire des Métiers – employment and professional training research body) are also involved in analyzing business trends. For example, in 2012 the Observatoire des métiers of the Crédit Mutuel business line began an internal analysis focusing on changes in the banking relationship related to customer expectations and new technologies and their impact in terms of job organization and development.

	CM11-CIC Group	BFCM Group
Environmental information		
Consumption of resources		
Water		
Water consumption (m^3)	549,329	353,063
Energy		
Total energy consumption	431,756,840	308,530,395
Paper		
Paper consumption (metric tons)	10,976	8,660
Purchasing/suppliers % of recycled paper at time of purchase	5%	5%
Measures to reduce environmental impact and greenhouse gas emissions		
Direct fugitive emissions		
Refrigerant gas leakage from the air conditioning systems (water- and air-based commercial air conditioning)		
Emissions avoided		
Number of scanned documents and pages	199,227,804	133,652,803
Waste		
What measures were taken in 2012 to reduce the consumption of resources, paper, waste, etc. ?). State the objectives and results, where applicable.	see footnote 4	
Employees		
Actions taken to inform and train employees about environmental protection	"practices" document being distributed via the Intranet	
Human resources dedicated to CSR	10.435	8.78

: Not reported.

4. It is difficult to set specific targets for a first assessment. At this stage, we can only set an overall target of reducing greenhouse gas emissions by approximately 3% over the next three years.
The proposed measures for continuing to reduce energy consumption mainly include :
– Informing employees to help them develop eco-friendly practices. (Best practices handbook on : the use of lighting, regulation of heating and air conditioning temperatures, etc.) ;
– Taking energy concerns into account when designing our new branches based on the standards in force and when renovating older branches ;
– Using more energy-efficient lighting systems and gradually replacing traditional light bulbs with energy-saving light bulbs.
Paper consumption is closely linked to the volume of sales activity (number of customers and products sold). The goal is to use 10% less paper.
The company has taken the following measures to reduce paper consumption :
– promoting the use of electronic statements and other documents sent to our customers ;
– promoting the website and expanding the services available on the site ;
– promoting the use of electronic messaging for exchanges with our customers ;
– expanding the use of electronic document management internally : increasing the number of electronic documents by 15% ;
– using duplex printers.
These measures were already in place in 2011 ; however, their widespread use is expected to result in a gradual decrease in paper consumption per person on a constant sales activity basis.
The fleet of vehicles, for its part, is quite small. It has a low impact on the carbon footprint (approximately 0.2%). Nevertheless, emphasis will be placed on acquiring more energy-efficient vehicles when the fleet is updated.

	CM11-CIC Group	BFCM Group
Social information		
Territorial, economic and social impact		
Territorial impact		
Number of BFCM Group points of sale	4,581	2,422
% of points of sale in rural areas (group total)	6.20%	4.10%
% of points of sale in areas for which tax incentives are offered (zones franches) (group total)	34.22%	1.00%
Microcredit		
Intermediated business microcredit		
ADIE support (French association for the right to economic initiative)		
Number of applications processed	467	169
Amount of lines of credit made available (euros)	2,367,360	500,000
France Active support (French organization that promotes business development)		
Number of microloans financed	786	383
Amounts guaranteed (euros)	12,010,238	5,975,496

	CM11-CIC Group	BFCM Group
France Initative Réseau support (French organization that finances entrepreneurs)		
Number of bank loans issued		
Amount of additional bank loans issued (euros)		87,200,000
Total number of microloans issued in partnership	1,464	552
Total amount of microloans issued in partnership	14,787,300	6,475,496
Community-based microcredit (not in partnership)		
Number of community-based microloans issued locally within the Federation[5]	21,805	
Amount of community-based microloans issued locally within the Federation (euros)[5]	36,768,518	
Socially Responsible Investment		
Outstanding SRI loans (euros)	**4,859,051,944**	**2,613,440,119**
Livret d'Epargne pour les Autres (LEA) (savings account that benefits humanitarian organizations)		
LEA deposits excluding capitalization (euros)	13,041,051	3,390,387
Socially responsible employee savings plans		
Assets under management (euros) in socially responsible employee savings plans	88,127,155	65,712,549
Associations market		
Number of non-profit organizations that are customers (associations, labor organizations, works councils, etc.)	302,462	72,785
Patronage and sponsorship		
National budget of the Crédit Mutuel Foundation or number of budgets granted	2,962,236	
Total budget dedicated to patronage and sponsorship (euros)	24,346,662	21,223,249
Zero interest rate eco-loans		
Market share in volume		
Average amount of loans issued	18,023	17,853
Loans for renewable energy and energy efficiency		
Number of projects financed (businesses and farmers)		
Socially responsible products and services		
Outstanding regulated social loans (PLS – loans for building low-cost housing, PSLA - home rentalownership loans)	496,582,080	
Mediation		
Percentage of eligible applications	86%	96%

: Not reported.

5. regulatory scope only.

VII.4 – Certification by the independent auditor of the presence of employment, environmental and social information in the management report

This is a free translation of a report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

CM11-CIC Group
Year ended December 31, 2012

Certification by the independent auditor of the presence of employment,
environmental and social information in the management report

For the attention of Executive Management,

As requested and in our capacity as the independent auditor of CM11-CIC group, we have prepared this certification regarding the consolidated employment, environmental and social information presented in the management report for the year ended December 31, 2012 in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code with reference to Article 8 of Law 47-1775 of September 10, 1947 on the status of cooperatives..

Responsibility of management

It is the responsibility of the Board of Directors of CM11-CIC group to draw up a management report that includes the consolidated employment, environmental and social information provided for by Article R. 225-105-1 of the French Commercial Code (hereinafter the "Information") and prepared in accordance with the guidelines used by the company, which is and available upon request from head office.

Independence and quality control

Our independence is defined by regulations, the code of ethics of the profession and the provisions of Article L. 822-11 of the French Commercial Code. We have also implemented a quality control system that includes documented policies and procedures designed to ensure compliance with the rules of ethics, professional standards and applicable laws and regulations.

Responsibility of the independent auditor

It is our responsibility, based on our work, to certify that the required Information is provided in the management report or, if omitted, that an explanation has been provided for its omission in accordance with paragraph 3 of Article R. 225-105 of the French Commercial Code and Decree 2012-557 of April 24, 2012. However, it is not our responsibility to verify the relevance of this information.

Nature and scope of our work

We performed the following work in accordance with the professional standards applicable in France :

- We compared the Information presented in the management report with the list provided for by Article R. 225-105-1 of the French Commercial Code ;
- We verified that the Information covered the consolidated scope, namely CM11-CIC group and its subsidiaries within the meaning of Article L. 233-1 and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code, based on the limits indicated in the methodology note presented in the "Social and Environmental Responsibility" chapter of the management report ;
- If certain consolidated information was omitted, we verified that explanations were provided in accordance with the provisions of Decree 2012-557 of April 24, 2012.

Conclusion

Based on our work, we certify that the management report contains the required Information.

Paris-La Défense, April 23, 2013.
The Independent Auditor

Ernst & Young et Associés
Sustainable Development Department
French original signed by
Eric Duvaud

VIII. LEGAL INFORMATION ABOUT BFCM

VIII.1 – Shareholders

VIII.1.1 – Distribution of BFCM's capital stock at December 31, 2012

Shareholders	N° of shares held	% ownership[3]
Caisse Fédérale de Crédit Mutuel[1]	24,625,938	92.81%
Local caisses of Crédit Mutuel[2] that are members of their respective federation (Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Centre, Dauphiné-Vivarais, Loire-Atlantique Centre-Ouest, Méditerranéen, Normandie, Anjou)	73,137	0.28%
Fédération de Crédit Mutuel Centre Est Europe	81	0.00%
CRCM Sud-Est	61,545	0.23%
CRCM Ile-de-France	146,391	0.55%
CRCM Savoie-Mont Blanc	20	0.00%
CRCM Midi-Atlantique	24,564	0.09%
CRCM Centre	308,726	1.16%
CRCM Dauphiné-Vivarais	2,500	0.01%
CRCM Loire-Atlantique et Centre-Ouest	741,969	2.80%
CRCM Méditerranéen	74,780	0.28%
CRCM Normandie	123,996	0.47%
CRCM Anjou	123,480	0.47%
CFCM Maine-Anjou et Basse-Normandie	222,965	0.84%
CFCM Antilles-Guyane	2,477	0.01%
CFCM Océan	1	0.00%
CFCM Nord Europe	1	0.00%
Miscellaneous	42	0.00%
Total	**26,532,613**	**100.00%**

1. Caisse Fédérale de Crédit Mutuel (CF de CM) is a cooperative company in the form of a French corporation (société coopérative ayant la forme de société anonyme) affiliated with Confédération Nationale du Crédit Mutuel, which is more than 99% owned by ACM Vie Mutuelle and the Caisses of the Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Centre, Dauphiné-Vivarais, Loire-Atlantique Centre-Ouest, Méditerranéen, Normandie and Anjou federations.
2. The Caisses de Crédit Mutuel are financially autonomous, variable-capital cooperative companies (sociétés coopératives à capital variable) owned by their individual stock-owning members.
3. The percentage of voting rights is identical to the percentage of stock ownership rights.

VIII.1.1.1 – Changes in the distribution of capital stock during the past three years

On January 1, 2012, the Anjou Group joined the partnership to form CM11, which resulted in the Anjou Caisses acquiring a stake in BFCM under the same conditions as the other groups.

In 2011

On July 28, 2011, BFCM completed a €22,621,000 capital increase through the creation and issuance of 452,420 new shares paid for in cash in order to increase the capital stock from €1,302,192,250 to €1,324,813,250. This capital increase reserved for the regional Caisses (CRCM) and local Caisses (CCM) of the Crédit Mutuel Centre, Crédit Mutuel Dauphiné Vivarais, Crédit Mutuel Loire Atlantique-Centre Ouest, Crédit Mutuel Méditerranéen and Crédit Mutuel Normandie federations was subscribed in the amount of €180,968,000, including an issue premium, with the following allocation :
– CRCM Centre subscribed 99,000 BFCM shares (0.37%),
– CRCM Dauphiné Vivarais subscribed 2,500 BFCM shares (0.01%),
– CRCM Loire Atlantique-Centre Ouest subscribed 246,500 BFCM shares (0.93%),
– CRCM Méditerranéen subscribed 75,000 BFCM shares (0.28%),
– CRCM Normandie subscribed 25,000 BFCM shares (0.09%).

Affiliation of the Caisses de Crédit Mutuel (CCM) corresponding to the capital increase (10 BFCM shares per CCM): 99 CCM du Centre, 50 CCM de Dauphiné-Vivarais, 145 CCM de Loire Atlantique – Centre Ouest, 90 CCM de Méditerranéen, and 58 CCM de Normandie.

During this period, the BFCM share held by Caisse Interfédérale du Crédit Mutuel Sud Europe Méditerranéen (CIF SEM) was transferred to Caisse Fédérale de Crédit Mutuel (CF de CM), following the merger by absorption of CIF SEM by CF de CM.

In 2010

CRCM Sud-Est sold 10 BFCM shares to a Caisse of FCM SE.

CRCM Île-de-France (CRCM IDF) sold 140 BFCM shares to the Caisses of FCM IDF (10 shares to each Caisse).

The 10 shares held by Caisse de l'Agriculture were transferred to CRCM Savoie-Mont Blanc (CRCM SMB) following the merger by absorption of Caisse de l'Agriculture by CRCM SMB.

CRCM Midi-Atlantique (CRCM MA) sold 90 BFCM shares to the Caisses of FCM MA (10 shares to each Caisse).

Affiliations of Caisses attached to the CM : 1 CCM du Sud- Est, 14 CCM IDF and 9 CCM Midi-Atlantique.

The Fédération du Crédit Mutuel CEE purchased 30 shares from an individual.

VIII.1.1.2 – Individuals or legal entities exercising control over BFCM

Caisse Fédérale du Crédit Mutuel Centre Est Europe controls nearly 93% of BFCM.

VIII.1.1.3 – Knowledge by BFCM of an agreement likely to result in a change in control

To the best of BFCM's knowledge, no agreement exists that might entail a change in its control at a later date.

VIII.1.1.4 – Dependency of BFCM on other Group entities

BFCM's dependency on other entities within the CM11-CIC Group is limited to the ownership ties presented below in the chapter entitled "Presentation of the CM11-CIC Group".

The chapter entitled "Legal Information – Sundry Information" indicates that no major agreements exist between BFCM and the subsidiaries.

VIII.1.2 – Ordinary General Meeting of Shareholders of May 7, 2013

VIII.1.2.1 – Extract of the Board of Directors' report to the Ordinary General Meeting of Shareholders of May 7, 2013

VIII.1.2.1.1 – BFCM activities

BFCM operates several core business functions :
– central refinancing for the CM11-CIC Group,
– depository for undertakings for collective investments (UCIs) of the CM11-CIC Group,
– financial relations with large corporates and local authorities in the areas of payments, credit and financial engineering,
– entity charged with carrying the CM11-CIC Group subsidiaries and coordinating their activities.

VIII.1.2.1.1.1 – Capital markets activity – Refinancing

In 2012, the CM11-CIC Group carried out its refinancing activities in a market environment which, though generally calmer, was marked by two distinct periods.

As in 2011, the first half of the year was characterized by the continuation of the serious sovereign and banking debt crisis in Europe (need for a second long-term refinancing operation in February).

Progress made on the political front coupled with further measures taken by the ECB in the summer of 2012 (OMT - outright monetary transactions) helped to restore the confidence of investors, who were more convinced that the euro zone would survive.

Thanks to its largely customer-oriented strategy (retail banking and insurance) and strong fundamentals, our Group was able to retain its good international ratings, making it particularly attractive to investors throughout the year.

The reduction in market debt, due in particular to continued improvement in the credit-deposit ratio, also led to a decrease in medium- and long-term issue requirements among investors outside the Group (€11.3 billion in 2012 compared to €18.2 billion in 2011).

Efforts to diversify medium- and long-term resources continued in 2012 :
– development of US144A documentation for our housing finance company aimed at US investors, which resulted in a first issue at the end of the year ;
– continuation of issues in Japan (Samurai and Uridashi) totaling 37 billion Japanese yen with 2-, 3- and 5-year maturities;
– communications aimed at international investors based on a strict timetable.

Major issues included the two operations carried out by Crédit Mutuel-CIC Home Loan SFH :
– €1.250 billion over 12 years issued in January in a difficult market environment and without the support of the ECB ;
– US$1 billion over 5 years issued in November in US144A format, 70% of which was placed with investors of US origin.

However, most medium- and long-term refinancing was carried out with resources raised by BFCM.

In terms of liquidity management, (net) short-term resources represented only 30% of all funds raised on the market at December 31, 2012 (37% at the end of 2011). The Group therefore significantly reduced its dependence on the money market, riding out its total closure for more than 12 months thanks to the transferable and ECB-eligible liquid assets held.

The composition and size of this liquidity reserve are very closely monitored and a detailed roadmap has been put in place in order to respond in a timely manner to the future liquidity ratio requirements of Basel III.

VIII.1.2.1.1.2 – Depositary for undertakings for collective investments (UCIs)

From a regulatory standpoint, the depositary function for UCIs (investment funds (FCP), open-ended funds (SICAV), company mutual funds (FCPE), private equity funds (FCPR), etc.) involves the following :
– Custody account-keeping (mainly marketable securities), cash account-keeping and account-keeping for other securities (futures and other directly held financial instruments (instruments financiers nominatifs purs).
– Auditing the regulatory compliance of UCI management decisions.

– UCI liabilities management in cases where the management company has delegated it to the depositary, including in particular subscription and redemption order processing initiated by clients. This activity is performed by the Group's specialized units.

In 2012, Banque Fédérative du Crédit Mutuel's depositary activity was marked by :

– Priority given to regulatory controls and controls aimed at securing the depositary environment, in particular monitoring ratios, benchmarks and securities and banking reconciliation ;

– Update to the depositary's terms of reference with adjustments to the control plan (specific private equity plan) and adaptation of the warning system ;

– Increased pooling of resources and improved operational organization in the CM-CIC Dépositaires environment, particularly for developments, controls of agents/service providers and in the legal area ;

– Closer collaboration with the Euro-Information teams in terms of tool development along with the creation of an IT steering committee;

– Automation of certain controls made operational, including implementation of the automated ratio calculation tool ;

– Adaptation of private equity funds monitoring. Monitoring is more integrated as the auditor conducts the audit based on the preparation of the annual certification ;

– Participation in the working group on financial data launched at the initiative of the BFCM depositary : identification of data, suppliers and contractual analysis ;

– Creation of the Alsace Croissance fund at the joint initiative of Crédit Mutuel de la Région Alsace and the CDC ;

– Extensive visits to all the management companies with on-site control points, where necessary, and the creation of a complete, topic-specific agenda ;

– Preparation for assumption of the Dubly funds depositary function ;

– Participation in the AFTI (French Association of Securities Professionals) work, including drafting of the code of best practices and topic-based meetings regarding regulatory changes.

At year-end 2012, Banque Fédérative du Crédit Mutuel was the depositary for 745 UCIs with total assets of €79.57 billion, a 27.3% increase compared to 2011. This change resulted mainly from the increase in securitization programs : FCT Home Loans, CMNE and ZEPHYR.

The vast majority of UCIs held by Banque Fédérative du Crédit Mutuel (71.1%) are managed by Group management companies, namely CM-CIC Asset Management for general-interest and employee savings UCIs, as well as CM-CIC Capital Privé, CM-CIC LBO Partners and CIC Mezzanine for private equity funds. Banque Fédérative du Crédit Mutuel is also the depositary for the securitization mutual funds used in connection with Group refinancing (26.4%). The UCIs of some 20 asset management companies that are not part of CM-CIC Group and specialize primarily in private equity represent 2.5% of the assets held.

VIII.1.2.1.1.3 – Large accounts and structured products

After being highly restricted at the end of 2011, access to liquidity gradually eased in the first half of 2012. At the same time, however, demand for bank financing by large corporates contracted as a result of their positive cash position and their continued proactive policy of disintermediation, prompting them to turn increasingly to a fast-growing bond market. In this regard, access to this market, up to then reserved for the largest investors, became easier for medium-sized companies, including unlisted companies and those with no rating, thanks to the arrival on the French market of private placements in euros supported by investors' appetite for corporate risk and their desire to reduce their exposure to sovereign risk.

Crédit Mutuel-CIC Group's close relations with its customers enabled it to play an active role in numerous issues, including those of Casino, Vinci, EDF and Foncière des Régions.

At the same time, the Group continued its policy of supporting customers, as it did throughout the recent crisis, as evidenced by the growing volume of bilateral loans issued in 2012 at the expense of syndicated financing, which decreased significantly.

Crédit Mutuel-CIC Group's sound financial position, confirmed by the rating agencies, enabled further growth (more than €5.7 billion) in overall deposits by large corporates and institutional investors.

Large accounts sales activity continued to focus on development of the Group's cross-functional know-how, as evidenced in particular by the following :

– In the area of employee benefits engineering, creation of the Zodiac Aerospace collective retirement savings plan (PERCO) and management of the retirement bonus contracts of Hermès International,

– Financing by COFIDIS of mobile telephones for Bouygues Télécom B&You customers.

In the area of means of payment, a key aspect of its sales policy, the Group continued its expansion along two main lines:

– A growing number of successful bids on requests for proposals launched by large corporates, particularly institutional investors, as they migrate to SEPA means of payment (SCT, SDD).

– Development of increasingly sophisticated technology products resulting in innovative and/or European-scale electronic money solutions, such as preloaded bank cards for Red Cross volunteers and the acquisition of bank card transactions in several European countries.

At the start of 2013, which promises to be a year of uncertainty and contraction (sluggish growth increasing the risk of business failures, exchange rate instability, etc.), the Large Accounts activity is affirming the sustainability of its strategy of supporting "Large Corporates and Institutional Investors" by drawing on the strength of Crédit Mutuel-CIC Group and its wide range of products and expertise in France and abroad.

VIII.1.2.1.2 – Information on the activities and results of the subsidiaries and companies controlled (Art. L. 233-6 Paragraph 2 of the French Commercial Code)

Under the above regulation, the report submitted to the Shareholders' Meeting must disclose the results of the subsidiaries and companies controlled by BFCM, by business line.

VIII.1.2.1.2.1 – Financial and related sector

Groupe Crédit Industriel et Commercial SA
(Management report on the consolidated financial statements of CIC)

Activity and results

Accounting principles

Pursuant to regulation (EC) 1606/2002 on the application of international accounting standards and regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year ended December 31, 2012 have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2012. These standards include IAS 1 to 41, IFRS 1 to 8 and any SIC and IFRIC interpretations adopted at that date. Standards not adopted by the European Union have not been applied. The summary statements are presented in accordance with CNC recommendation 2009-R.04.

All IAS and IFRS were updated on November 3, 2008 by Regulation 1126/2008, which replaced Regulation 1725/2003. These standards are available on the European Commission's website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The information on risk management required by IFRS 7 is shown in a specific chapter of the management report.

IAS 19R on employee benefits published in the Official Journal of the European Union dated June 5, 2012, application of which is mandatory as from January 1, 2013, has been applied early as from January 1, 2012. The impact of this first-time application is explained in the note on employee benefits.

The amendment to IFRS 7 regarding disclosures related to transfers of financial assets has been applied for the first time this year.

Changes in the scope of consolidation

The changes in scope include :
– addition of the special purpose vehicle: Lafayette CLO1 Ltd,
– the merger of CM-CIC Laviolette Financement with Factocic, now called CM-CIC Factor,
– the absorption of Pasche International Holding Ltd by Pasche Finance, and
– the winding up of Pasche Fund Management Ltd, Pasche SA Montevideo, Serficom Investment Consulting (Shanghai) Ltd, Serficom Maroc Sarl.

Analysis of the consolidated statement of financial position

The main changes in the consolidated statement of financial position were as follows :
– customer loans (excluding resale/repurchase agreements), including lease financing, amounted to €132.9 billion at December 31, 2012, an increase of 0.4% compared to December 31, 2011 ;
– customer deposits (excluding resale/repurchase agreements) totaled €108.2 billion (+7.9%) and savings managed and held in custody (month-end savings, including securities issued) amounted to €230.4 billion (+10.6%);
– reported shareholders' equity (Group share) totaled €10.362 billion (compared to €9.227 billion at December 31, 2011) and the resulting base regulatory capital stood at €10.782 billion. The Tier 1 and core Tier 1 solvency ratios increased to 12.1% and 11.0%, respectively.

Analysis of the consolidated income statement

Net banking income rose from €4.166 billion in 2011 to €4.260 billion at December 31, 2012. Management fees increased by 5% to €2.944 billion.

Net additions to/reversals of provisions for loan losses amounted to €356 million at December 31, 2012 compared to €549 million (204 million after restatement of the impact of Greek sovereign securities) at December 31, 2011. The net provisioning for known risks in relation to outstanding loans rose from 0.16% to 0.20% and the overall non-performing loans provisioning ratio was 54.8% at December 31, 2012.

Net income was €722 million at December 31, 2012 compared to 579 million in 2011. The 2011 net income included a net tax charge of €261 million on its portfolio of Greek sovereign securities.

The decrease in net income between 2012 and 2011, restated for the impact of Greek sovereign debt, resulted from the increase in management fees and in net allocations to/reversals of provisions for loan losses (approximately one-half for each).

Rating

CIC, a subsidiary of BFCM, has the following long-term ratings : A+ by Standard & Poor's, Aa3 by Moody's and A+ by Fitch Ratings.

Breakdown by activity

Description of the business lines

The selected businesses correspond to the organization of CIC as shown in the organizational chart on page 8 of CIC's registration document.

Retail banking, CIC's core business, comprises all banking and specialized activities for which product marketing is handled by the network of regional banks, organized around five regional divisions, and that of CIC in Ile-de-France: life and property-casualty insurance, equipment leasing and leasing with purchase option, real estate leasing, factoring, fund management, employee savings and real estate.

Corporate banking includes the financing of large corporates and institutional clients, value-added financing (export, project and asset financing, etc.), international activities and foreign branches.

Capital markets activities include investments in fixed-income, equity and foreign-exchange activities (ITAC) as well as stock market intermediation.

Private banking develops expertise in financial and wealth management for families of business owners and private investors.

Private equity covers equity investments, merger-acquisition consulting and financial and stock market engineering activities.

The “headquarters and holding company services” division combines all other business activities not allocated to another business division as well as purely logistical entities whose expenses are, in principle, cross-charged in full to the other entities, i.e. the intermediary holding companies and operating properties integrated within specific companies.

Results by activity

Retail banking

€ millions	2012	2011	Change 2012/2011
Net banking income	3,083	3,240	- 4.8%
Gross operating income	838	1,074	- 22.0%
Income before taxes	743	1,001	- 25.8%
Net income – Group share	518	685	- 24.4%

Retail banking continued to improve the quality of its network, which now totals 2,074 branches, including 24 created in 2012. Its development over the past year made it possible in particular to :
– add 109,437 new customers to the banking network, bringing the total to 4,569,510 (+2%) ;
– increase outstanding loans by 1.4% to €112 billion (including +5.0% for capital asset financing) ;
– boost deposits by 7.7% to €83 billion thanks to a significant increase in savings and term accounts ;
– develop the property and casualty insurance business (+5.5% of the portfolio to 2,990,267 policies, excluding individual enrollments) ;
– record gains in the services area (remote banking +5.5% to 1,616,871 contracts, telephone banking +13% to 303,194 contracts, theft protection +15.6% to 69,579 contracts, electronic payment terminals (EPT) +7.0% to 105,977 contracts).
The rise in deposits coupled with the controlled increase in loans enabled the banking network to post a loan-to-deposit ratio of 122.0 % compared to 130.1% at the end of 2011.
At December 31, 2012, retail banking recorded a net banking income of €3.083 billion compared to 3.240 billion in 2011. General and administrative expenses rose from €2.166 billion at the end of 2011 to 2.245 billion at the end of 2012. Net additions to/reversals of provisions for loan losses totaled €201 million (157 million in 2011). Income before tax was €743 million compared to 1.001 billion the previous year.

Corporate banking

€ millions	2012	2011	Change 2012/2011
Net banking income	282	417	- 32.4%
Gross operating income	194	338	- 42.6%
Income before taxes	130	304	- 57.2%
Net income – Group share	105	197	- 46.7%

Efforts to rebalance refinancing also impacted the NBI of corporate banking, which stood at €282 million at the end of 2012. Net additions to/reversals of provisions for loan losses rose from €34 million in 2011 to 64 million in 2012. Income before tax fell to €130 million (304 million at the end of 2011).

Capital markets

€ millions	2012	2011	Change 2012/2011
Net banking income	555	336	65.2%
Gross operating income	377	180	109.4%
Income before taxes	351	126	178.6%
Net income – Group share	204	64	218.8%

At December 31, 2012, NBI was €555 million (336 million in 2011). Net additions to/reversals of provisions for loan losses amounted to €26 million (€54 million in 2011). Income before tax increased from €126 million to €351 million after impairment of Greek sovereign securities in the amount of €92 million.

Private banking

€ millions	2012	2011	Change 2012/2011
Net banking income	464	431	7.7%
Gross operating income	130	115	13.0%
Income before taxes	106	85	24.7%
Net income – Group share	62	51	21.6%

NBI increased by 8% to €464 million in 2012, compared to €431 million in 2011, and income before tax rose by 25% to €106 million versus €85 million.

Private equity

€ millions	2012	2011	Change 2012/2011
Net banking income	100	93	7.5%
Gross operating income	66	59	11.9%
Income before taxes	66	59	11.9%
Net income – Group share	67	57	17.5%

NBI was €100 million at December 31, 2012 compared to €93 million in 2011 and income before tax stood at €66 million versus €59 million the previous year. Invested capital totaled €1.7 billion, including €199 million invested in 2012. The portfolio consists of 497 investments.

Headquarters and holding compagny services

€ millions	2012	2011	Change 2012/2011
Net banking income	- 224	- 351	ns
Gross operating income	- 289	- 410	ns
Income before taxes	- 374	- 703	ns
Net income – Group share	- 258	- 499	ns

The negative net banking income of headquarters and holding company services mainly includes :

- €171 million to finance working capital and the cost of subordinated securities (- 139 million in 2011) ;
- €6 million for impairment losses on equity interests (- 181 million in 2011) ;
- €82 million to finance the network development plan (- 74 million in 2011).

These three items represent a total expense of €259 million compared to €394 million at December 31, 2011. Net increases to/reversals of provisions for loan losses totaled €36 million, 34 million of which was from the sale of Greek sovereign securities. In 2011, this figure was €261 million (impairment of Greek sovereign securities). Income before tax includes an expense of €49 million related to impairment losses on associates (€33 million at the end of 2011).

Recent developments and outlook

CIC is pursuing the commercial development of its network, the extension of its line of products and services in all its markets, its goal of delivering the best possible service to private individuals, associations, self-employed professionals and companies, and its support of the economy by best meeting its customers' needs.

Material changes

There have been no material changes in CIC's commercial or financial position since the end of the last financial year for which audited financial statements have been published.

Banque Européenne du Crédit Mutuel SAS

BECM is a Group subsidiary that works alongside the Caisses de Crédit Mutuel branch network in the retail banking area and with the CIC network to jointly develop four large markets :

– large corporates and SMEs,
– financing of real estate development, notably in the housing sector,
– real estate companies specializing in the management of leased residential and commercial properties and office space,
– large order-givers in the payments area, particularly in the hypermarket/supermarket, transport and services sectors.

It conducts its business through a national network (29 corporate branches, 11 real estate development financing branches, one landholdings branch and four wealth management branches), a German network (three branches), its Saint-Martin branch in the Netherlands Antilles, and its Banque Européenne du Crédit Mutuel Monaco subsidiary.

BECM operates as a well-integrated component of the Group's retail network, so that the bank leverages the Group's financing and deposit activities to meet its customers' needs as comprehensively as possible with real value-added solutions in the area of cash management, financial and social engineering, domestic and international payments processing, interest rate and foreign exchange risk hedging and cross-border client coverage.

With the support of the Group's functional, logistics and production departments, it develops its activities according to common business and market reference bases or reference bases that are consistent with those of the CM-CIC Group.

Although 2012 was characterized by a sluggish economy suffering from the effects of the financial crisis and a lack of growth, BECM continued to fully play its role of supporting its customers and financing the economy.

By mobilizing its network, BECM was able to stabilize its credits drawn at €10.8 billion in average monthly capital and credits authorized but not drawn at €4.9 billion, i.e. 45% of credits drawn. Meanwhile, total fund deposits (excluding Group institutions) rose by 19% to €9.1 billion, reflecting the improved liquidity situation. The sharp growth in deposits (+28%) is the result of the network's deposit-taking efforts.

The successful marketing of the Group's value-added services and products enabled the bank to achieve NBI of €191 million.

Net additions to/reversals of provisions for loan losses stood at 0.12% of outstanding loans, a record low level. Net income totaled €64 million, an 8% decrease compared to 2011 (€69 million), after taking into account new tax expenses and the financing of the network extension investments in 2012.

Reported shareholders' equity (including FGBR and income) totaled €806 million, compared to 740 million in 2011, following the capital increase carried out following the payment of dividends in shares, the capital increase resulting from the partial contribution of capital and the appropriation of 2011 profits. BECM's liquidity gap was reduced by €1.2 billion during the year.

As part of its effort to streamline the networks within the Group, in June 2012 BECM created a subsidiary in Monaco, which acquired the retail business of Crédit Mutuel Méditerranéen's branch in Monaco. At the end of December 2012, this subsidiary managed €35 million in loans and €348 million in funding resources, 328 million of which was from deposits. Net income for the six months of 2012, which was impacted by startup costs, was €0.3 million.

CIC Iberbanco

Sales activity

In 2012, 5,889 accounts were opened, a 19.6% increase over 2011. Of these, 576 (9.78%) were opened by the two branches created by the business development plan.

In terms of customer savings, deposit-taking during the year was close to €40 million, a 36% increase in one year. Over the year as a whole, deposits grew by 9.4% with total deposits of €437 million.

Across all lending categories, total outstanding loans stood at €352 million at the end of December; they grew at a satisfactory rate of 19.7% (+€58 million) and included both short-term loans (+32.2%) and term loans (+16.8%).

Given these increases in capital, CIC Iberbanco's loan-to-deposit ratio increased from 80.1% at the end of 2011 to 82.8% at the end of 2012.

The total number of property and casualty insurance policies exceeded 14,000 in the fourth quarter of 2012, growing by 4.4% over the third quarter 2012 and 28.4% over one year.

Telephone contracts totaled 2,679, a 16.9% increase over one year.

Targobank Germany

Targobank Germany's activity in 2012

Targobank's outstanding loans grew at a significant pace in 2012. They stood at €10.2 billion at the end of December 2012, up 3.2 % compared to the end of December 2011. Personal loan production totaled €2.5 billion during the year. This level, up 9% versus 2011, resulted in an increase in outstanding personal loans of €378 million (+4.5%). In particular, production in July 2012 was €246 million, a level that had not been achieved since the start of the financial crisis in 2008.

At the same time, customer deposit volumes grew by nearly €1 billion (+10%). The bank is still focusing on keeping the "customer" aspect of its statement of financial position in balance. Thus, the credit-deposit ratio stood at 98% at the end December 2012.

From a commercial perspective, Targobank continued to work on the development of simple products consistent with its core business.

To expand its customer base, the bank added automobile financing to its product line. Offered only online initially, inventory financing for dealers will be added to this product line in 2013.

The bank also relies on innovation to differentiate itself by offering contactless payment technologies in Germany developed within the Group. On August 1, 2012, Targobank, in partnership with the E-Plus telecommunications operator, became the first financial institution in Germany to offer mobile payment based on NFC technology.

Finally, the bank has begun to simplify its product line, starting with its line of credit cards, which is now built around just three products.

In 2012, Targobank also expanded its network by opening 11 branches, bringing the number of physical points of sale to 343. The bank plans to continue this expansion in 2013.

Targobank Germany's results and outlook for 2013

In keeping with the progress made in 2011, the 2012 financial results continued to improve (+ 3% compared to the previous year). Income before taxes was €408 million, in line with the targets set by the bank.

Expenses remained stable despite the salary increases that resulted from the industry-wide agreements applicable to employees who are paid the "bank rate" (+ 2.9% as of July 1).

The favorable trend in net additions to/reversals of provisions for loan losses also contributed to these positive results: late payments and default rates were at their lowest levels in five years and collection levels continued to improve in relation to last year.

For 2013, the bank expects its NBI to increase. In fact, outstanding loans were considerably higher at the start of the year. The pricing changes implemented in 2012 have also allowed the bank to improve its interest rates for new loan production.

Targobank Spain

Targobank SA is a Spanish bank in which the French Crédit Mutuel-CIC Group and the Spanish Banco Popular Group each own a 50% interest. It provides banking and insurance services through its 125 branches located across Spain and, in particular, in Spain's main hubs of economic activity. Three regional departments coordinate the network's activities :

– Regional I (Madrid – North) : 49 branches.
– Regional II (Catalonia – Levante – Baleares) : 50 branches.
– Regional III (Andalusia – Murcia) : 26 branches.

The total number of employees is 569. Of these, 495 work in the network, 39 in the three Regional Departments, 26 in Executive Management and nine are responsible for migration.

Cofidis Group (Carmen Holding Investissement SA)

The Cofidis Participations Group saw an increase in its activity in 2012 compared to 2011 (+1%) in a sector that is trending downward in the countries in which we operate.

Net banking income stood at €1.052 billion, down 7% compared to 2011. This decline was due mainly to the lowering of interest rates and the introduction of the Lagarde regulations.

Financial costs remained stable compared to 2011. Payroll costs were 3.5% lower than in 2011. Other expenses rose slightly in relation to 2011, mainly as a result of the IT convergence project, which requires investments in the short term.

Net additions to/reversals of provisions for loan losses fell sharply (- 12%) for the third straight year. The actions taken over the past three years in terms of risk prevention (credit approval process) and risk remediation (collection teams) are yielding results. However, cost and risk management have not offset the decline in NBI.

Overall, income before taxes totaled €157 million at December 31, 2012 compared to €191 million at the end of June 2011.

Groupe Sofemo SA

The company's activity fell sharply as a result of the economic situation, the Lagarde law, risk management measures and a desire to reduce financing for the renewable energy market.

In 2013, Sofemo will join the consumer credit division currently being developed by the Group.

Banque Casino

Banque Casino, jointly held 50-50 with Casino Group since July 7, 2011, distributes credit cards, consumer credit and insurance products at Géant Casino hypermarkets and Casino supermarkets and via the Cdiscount e-commerce website.

In 2012, after a first half marked by the change in service provider/partner with the switchover of all our systems, the production and profitability indicators rebounded sharply upward in the second half even as the bank was able to tightly control its risks.

CM-CIC Asset Management SA

In 2012, the future of the euro zone took a new direction, which impacted many choices in terms of asset management. Interventions by the European Central Bank helped to restore the confidence of equity markets. At the same time, the return on investments considered risk-free reached record low levels and private debt once again became highly attractive. Against this difficult backdrop, CM-CIC AM's activity geared toward the Crédit Mutuel and CIC networks was impacted in two ways: a strong inflow of funds (nearly €6 billion) for money market UCITS and a high outflow of funds for long-term UCITS, a trend experienced by all French asset management companies. The net inflow of funds was therefore slightly more than €5 billion for the year as a whole. In 2012, CM-CIC AM also launched an international activity with a line of products designed for Targobank Germany.

Crédit Mutuel-CIC Home Loan SFH

In 2012, Crédit Mutuel-CIC Home Loan SFH accounted for 26% of the CM11-CIC Group's medium- and long-term external refinancing in a market that was particularly tight in the beginning of the year and then gradually benefited from the measures taken by the ECB (second LTRO in February and OMT in July). Two public issues are worth noting :

– €1.250 billion over 12 years in January in a difficult market environment ;
– US$1 billion over five years in November in US144A format, 70% of which was placed with investors of US origin.

CM-CIC Lease SA

In 2012, CM-CIC Lease financed slightly more transactions under real estate lease agreements on behalf of customers of Crédit Mutuel-CIC than it did in 2011. Thus, 314 new financing agreements (+ 1.9%) were signed for a total volume of €581 million, a 14% decrease given the lower average amount per lease.

Improvement in customer satisfaction in acquisition and project management is a priority for CM-CIC Lease, which again implemented an extensive training program during the year aimed at expanding its teams' effectiveness and which resulted in it having a stronger presence as lead manager of joint ownership arrangements with leasing companies (48% of cases versus 39% in 2011).

Total outstanding leases, including current transactions (off-statement of financial position), rose by 6.2% to more than €3.6 billion, of which 72% are for commercial, industrial and warehouse facilities in roughly equal amounts. The remainder includes facilities in diversified sectors, such as offices, hotels, recreational, educational and healthcare facilities.

The commissions paid to the Group's various networks totaled nearly €15 million, an increase of 1.2%.

Banque de Luxembourg

In line with past performance and despite a difficult economic environment, Banque de Luxembourg expanded its private banking and asset management activities and services aimed at management and fund professionals. Its net banking income stood at €240 million, while its net income was €62.9 million (+ 9.7%).

With its 750 employees, the bank continued to strengthen its positioning in the Grand Duchy as well as in neighboring countries, particularly through its two sites in Belgium. At the end of 2012, it announced the acquisition of the private banking arm of Lloyds TSB's Luxembourg branch.

To ensure that its customers remain in compliance with an ever-changing regulatory and fiscal framework, it offers management and consulting solutions that allow them to manage their assets in strict adherence to the European rules and directives in force. The bank, which offers services tailored to the needs of family-owned businesses with multi-jurisdictional interests, has proven its ability to support these families from generation to generation.

Guided by the principles of continuity and prudence, its teams of analysts and fund managers were again the recipients of numerous awards. Its responsible approach aimed at ensuring consistent performance over the long term also contributed to the increase in assets under management.

In terms of professional banking, in an environment characterized by strong price pressure and constant regulatory changes, Banque de Luxembourg has been able to satisfy its customers and confirm its role as partner, while continuing to expand its range of services to investment funds, independent fund managers and life insurance companies.

VIII.1.2.1.2.2 – Insurance sector

Groupe des Assurances du Crédit Mutuel – GACM SA

The CM11-CIC Group's insurance activities are carried out through the subsidiaries of Groupe des Assurances du Crédit Mutuel (GACM).

The economic climate remained uncertain in 2012. In spite of this, GACM maintained its positions and continued to expand its businesses in France and abroad.

GACM's net income based on IFRS was €611.8 million, up nearly 30%, without any significant extraordinary events and despite an increasingly higher tax burden.

In terms of activity, the drop in the savings rate and the increase in the ceiling on savings accounts weighed on life insurance and insurance savings products, thereby limiting the increase in consolidated insurance revenue to 0.7% (€8.2 billion) in a market that was down 4% overall.

Although premiums for life insurance and savings products fell by 2%, net intake remained positive, contributing to growth in assets under management (+ 3.7%).

With revenue up more than 5.2%, non-life insurance products continued to be a growth driver. As in 2011, growth in automobile and homeowners' insurance revenue was significantly higher than the market average at + 7.7% and + 8.8%, respectively. Personal insurance increased by 3.5%, driven by personal protection and borrowers' insurance.

Thanks to a generally favorable total loss experience and despite the February 2012 cold snap, underwriting income from property insurance remained strong.

GACM boosted its international presence with the acquisition of the Spanish company Agrupacio Mutua, which is creating new growth opportunities in Spain and allowing our distribution networks and Targobank Spain and RACC partners to offer a comprehensive range of insurance products. Through this new subsidiary, GACM is enhancing its healthcare expertise, which is allowing it to approach the future and the fundamental changes taking shape in terms of supplemental healthcare insurance with the professionalism and innovation that have become its trademark.

Having ended the year with €7.5 billion in equity, an increase of 12.5%, and a solid statement of financial position, GACM is well-positioned to tackle 2013 and the new challenges it will bring.

VIII.1.2.1.2.3 – Real estate sector

CM-CIC Immobilier SAS

The CM-CIC Immobilier subsidiary develops building sites and housing units through Ataraxia Aménagement, CM-CIC Aménagement Foncier (SAREST), Ataraxia Promotion and CM-CIC Réalisations Immobilières (SOFEDIM). It sells new housing units via CM-CIC Agence Immobilières (AFEDIM) and manages housing units of investors through CM CIC Gestion Immobilière. It also participates in financing rounds related to real estate development transactions through CM-CIC Participations Immobilières.

VIII.1.2.1.2.4 – Technology sector

Euro-Information SAS

Euro-Information SAS acts as an IT sub-holding company for the Group. In particular, it finances all the Group's investments in IT and peripheral equipment as well as the technical subsidiaries' investments. The company recorded net income of €75.33 million in 2012, in line with projections. Banque Fédérative du Crédit Mutuel owns 13.83% of its capital.

Euro-Information Développements

Euro-Information Développements provides project management for all IT development within the CM-CIC Group and is responsible for upgrading the common IT system used by 15 Crédit Mutuel Federations, the CIC Banks and the various CM-CIC Centers of Expertise.

Euro-Information Telecom

Euro-Information Telecom (formerly NRJ Mobile) posted a net income of €7.3 million and an increase in revenue of approximately 12%. This income was generated in an extremely fierce competitive environment following the arrival at the beginning of the year of the fourth operator, Free Mobile, which increased the churn rate among Free's predecessors and led to a significant decline in ARPU (Average Revenue Per User). In this context, EIT not only retained but slightly expanded its active customer base, showing good performance in the sector while protecting its profit margin. In parallel to this, EIT built and implemented a 'full MVNO' technical architecture in 2012. This architecture ensures the infrastructure operator's technical and marketing independence in the future and its stronger bargaining power among the various operators from which EIT buys its traffic.

Euro Protection Surveillance

EPS continue to expand in 2012. In remote surveillance, over 60,000 orders were recorded and the portfolio of active subscription agreements increased by 18%. The Crédit Mutuel-CIC Group represents nearly two-thirds of all orders.

In remote assistance, an activity marketed by CM-CIC SALP and operated by EPS, 4,109 subscriptions were recorded and the subscriber portfolio increased to 5,540. EPS also manages 676 remote reading agreements and 98 video agreements.

The company handled 7,289,395 calls (operators and automated machines), 201,658 technical assignments and 77,128 security interventions.

We recorded 5,315 thefts or attempted thefts on functioning systems (+ 27% for an installed base that increased by 18%). The claims rate rose from 1.6% to 1.8% for private individuals and from 4.7% to 4.5% for business customers.

VIII.1.2.1.2.5 – Communication sector

This sector encompasses various activities, including those related to information processing. As in previous years, the economic crisis and changing behaviors impacted the activity of companies in this sector. A drop in advertising revenue and a decline in subscriptions were important factors that contributed to the results for the year. However, significant efforts have been made to further improve the management and results of this sector. All in all and excluding non-recurring items, consolidated recurring income was virtually the same as the previous year.

VIII.1.2.2 – Resolutions of the Ordinary General Meeting of Shareholders of May 7, 2013

VIII.1.2.2.1 – First resolution

After hearing the reports of the Board of Directors and Statutory Auditors, the Shareholders' Meeting approves the financial statements and the statement of financial position for the year ended December 31, 2012 as presented, which show a net income of €649,396,490.02.

It also approves the transactions shown in the financial statements or summarized in these reports.

The Shareholders' Meeting gives discharge to the Directors and the Statutory Auditors in respect of the performance of their duties for the past year.

VIII.1.2.2.2 – Second resolution

The Shareholders' Meeting resolves to appropriate the net income for the year in the amount of €649,396,490.02, plus the retained earnings from the previous year in the amount of €702,260.27, giving a total amount of €650,098,750.29, as follows :

– pay a dividend of €2.65 to each of the 26,496,265 shares carrying dividend rights for the full year and a dividend of €1.33 to each of the 36,348 new shares carrying dividend rights from June 23, 2012, i.e. a total distribution of €70,263,445.09. These dividends are eligible for deduction under Article 158 of the French Tax Code (Code Général des Impôts - CGI) ;

– transfer €181,740 to the legal reserve, thereby bringing it to 10% of the share capital of BFCM ;

– transfer €579 million to the optional reserve ;

– transfer the remaining balance of €653,565.20 to retained earnings.

In accordance with the legal provisions in force, we remind you that the dividends paid per share for the last three years were as follows :

Year	2009	2010	2011
Amount in €	4.96	–	2.00
Dividend eligible for deduction under Article 158 of the French General Tax Code (CGI)	yes	–	yes

VIII.1.2.2.3 – Third resolution

The Shareholders' Meeting approves the consolidated financial statements for the year ended December 31, 2012 as presented by the Board of Directors.

VIII.1.2.2.4 – Fourth resolution

The Shareholders' Meeting approves the agreements covered by Article L. 225-38 of the French Commercial Code (Code de Commerce) presented in the special report of the statutory auditors.

VIII.1.2.2.5 – Fifth resolution

The Shareholders' Meeting renews the appointment of Mr. Gérard Cormorèche as a member of the Board of Directors for a three-year term.

His term of office will end at the time of the Shareholders' Meeting called to approve the financial statements for 2015.

VIII.1.2.2.6 – Sixth resolution

The Shareholders' Meeting renews the appointment of Mr. Etienne Grad as a member of the Board of Directors for a three-year term.

His term of office will end at the time of the Shareholders' Meeting called to approve the financial statements for 2015.

VIII.1.2.2.7 – Seventh resolution

The Shareholders' Meeting renews the appointment of Mr. Michel Lucas as a member of the Board of Directors for a three-year term.

His term of office will end at the time of the Shareholders' Meeting called to approve the financial statements for 2015.

VIII.1.2.2.8 – Eighth resolution

The Shareholders' Meeting renews the appointment of Mr. Jean-Paul Martin as a member of the Board of Directors for a three-year term.

His term of office will end at the time of the Shareholders' Meeting called to approve the financial statements for 2015.

VIII.1.3 – Extraordinary General Meeting of Shareholders of May 7, 2013

VIII.1.3.1 – Board of Directors' report to the Extraordinary General Meeting of Shareholders of May 7, 2013

We have called you to this extraordinary general meeting of shareholders to discuss the following agenda items:

1. Reserved capital increase: conditions, procedures, amendments to the company's bylaws ;
2. Capital increase paid for in cash and delegation of authority to the Board : issue conditions and procedures, amendment to the company's bylaws.

The first item concerns the Crédit Mutuel d'Anjou group, the partnership with which became effective on January 1, 2012. As with previous partnerships, the agreements provide for the group's acquisition of an equity interest in Caisse Fédérale (€10 million) and BFCM (€25 million).

As it did for previous transactions, your Board is proposing the optimal technical solution in the form of a reserved capital increase with cancellation of preferential subscription rights. This will require that the statutory auditors submit a special report to you on this item.

To facilitate the procedures for completing the transactions, you will also be asked to give the Board the necessary powers to acknowledge the effective completion there of and to amend the related section of the company's bylaws accordingly.

Regarding the second capital increase covered by item 2 of the agenda, we have called you to this extraordinary general meeting of shareholders to ask that you vote on granting a blanket delegation of authority to your Board of Directors allowing it to approve one or more capital increases up to an amount of €5 billion.

Such delegation would allow your Board of Directors to complete these transactions under the best possible conditions with the necessary speed and flexibility.

This delegation of authority would be granted in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code for a maximum term of 26 months from the date on which the decision is made by the meeting. It would allow the Board of Directors to :

– approve one or more capital increases paid for in cash with shareholders' preferential subscription rights maintained :
    • through the creation and issue of ordinary shares, with or without premiums ;
    • by increasing the par value of ordinary shares ;

– to determine the issue conditions and, in particular, the subscription price ;

– to complete the capital increase and to amend the company's bylaws accordingly.

You are also asked to delegate to the Board of Directors the authority to grant, where applicable, a right to subscribe on a pro rata basis (à titre réductible) for the new shares not subscribed for on a fixed basis (à titre irréductible). This right would be granted to holders of subscription rights who wish to subscribe for more shares than they are able to subscribe for on a fixed basis, in proportion to the number of subscription rights they hold and up to the amounts requested by them.

The Board of Directors will not be able to allocate in whole or in part the shares not subscribed for on a fixed or pro rata basis. The Board of Directors could therefore limit the amount of the capital increase to the amount of the subscriptions received.

The Board will report to the meeting on the use of these delegations under the conditions provided by law and the applicable regulations.

The Shareholders' Meeting is also informed that, in accordance with the last paragraph of Article L. 225-129-6 of the French Commercial Code, the provisions relating to capital increases reserved for employees do not apply to Banque Fédérative du Crédit Mutuel.

Indeed, BFCM is controlled by Caisse Fédérale de Crédit Mutuel, which offers an employee savings plan under the conditions of Article L. 3344-1 of the French Labor Code (Code du Travail).

We hope that the proposed resolutions will be adopted according to your Board's recommendations.

The Board of Directors

VIII.1.3.2 – Resolutions of the Extraordinary General Meeting of Shareholders of May 7, 2013

VIII.1.3.2.1 – First resolution

The extraordinary general meeting of shareholders resolves to increase the share capital by €25 million through the creation and issue of 52,521 new shares paid for in cash, each with a par value of €50, in order to increase the share capital from €1,326,630,000 to €1,329,256,700.

These new shares will be issued at a unit price of €476, i.e. with a premium of €426 per share.

They will be fully paid up at the time of subscription.

These shares will be subscribed for in cash.

The new shares will carry dividend rights as of August 1, 2013.

Moreover, from the time of their creation they will be identical to the existing shares in all respects and will be subject to all the provisions of the company's bylaws and the decisions of the shareholders' meetings.

VIII.1.3.2.2 – Second resolution

After hearing the Statutory Auditors' report, the Shareholders' Meeting resolves to cancel the preferential subscription right reserved for shareholders pursuant to Article L. 225-132 of the French Commercial Code and to grant the right to subscribe for all the 52,521 new shares to the Crédit Mutuel d'Anjou group.

VIII.1.3.2.3 – Third resolution

The Shareholders' Meeting confers all powers on the Board of Directors to proceed with all operations needed to successfully complete this transaction, take note of the effective completion thereof and amend the company's bylaws accordingly.

VIII.1.3.2.4 – Fourth resolution

After hearing the Board of Directors' report and noting that the capital was fully paid up, the Shareholders' Meeting resolves to delegate to the Board of Directors, in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code, all authority to approve, within a maximum period of 26 months from the date of this meeting and up to an amount of €5 billion, one or more share capital increases paid for in cash with shareholders' preferential subscription rights maintained :

– through the creation and issue of ordinary shares, with or without premiums ;

– by increasing the par value of ordinary shares.

In this respect and within these limits, the Board of Directors will have full powers to approve and complete the capital increase(s) that it deems appropriate, and to :

– determine the issue conditions of the new shares and, in particular, the subscription price ;

– acknowledge the completion of these capital increases ;

– amend the company's bylaws accordingly.

This delegation of authority also empowers the Board of Directors to grant, where applicable, a right to subscribe on a pro rata basis (à titre réductible) for the new shares not subscribed for on a fixed basis (à titre irréductible). This right will be granted to the holders of subscription rights who subscribed for more shares than they were able to subscribe for on a fixed basis, in proportion to the number of subscription rights they hold and up to the amounts requested by them.

The Board of Directors will not be able to allocate in whole or in part the shares not subscribed for. The Board of Directors may limit the amount of the capital increase to the amount of the subscriptions received.

VIII.1.3.2.5 – Fifth resolution

The extraordinary general meeting of shareholders acknowledges that, in accordance with the last paragraph of Article L. 225-129-6 of the French Commercial Code, the provisions relating to the capital increase reserved for employees do not apply to the company.

VIII.1.3.2.6 – Sixth resolution

The Board of Directors will report to the meeting on its use of the delegations granted to it by preparing a further report, in addition to the annual general report on the company's management. This report, which will be enclosed with or attached to the management report, will include the information required by the regulations in force and a summary table of its outstanding delegations and its use thereof.

VIII.2 – Statutory auditors' report on regulated agreements and commitments

This is a free translation of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French Law and professional auditing standards applicable in France.

KPMG Audit
A unit of KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex

Statutory Auditors
Member of the Versailles regional institute of accountants

Ernst & Young et Autres
1-2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. à capital variable (Simplified stock compagny with variable capital)

Statutory Auditors
Member of the Versailles regional institute of accountants

Banque Fédérative du Crédit Mutuel S.A.
Registered office : 34, rue du Wacken – 67000 Strasbourg
Share capital: €1,326,630,650.00

Special report of the statutory auditors on regulated agreements and commitments

Shareholders' Meeting called to approve the financial statements
for the year ended December 31, 2012

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments indicated to us, or that we may have identified in the performance of our audit. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any other agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de Commerce), to evaluate the benefits of these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to provide you with the information referred to in Article R. 225-31 of the French Commercial Code concerning the implementation, during the year, of the agreements and commitments already approved by the Shareholders' Meeting.

We followed the procedures which we considered necessary to comply with professional guidance given by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of audit. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it was extracted..

Agreements and commitments submitted for approval by the shareholders' meeting

Agreements and commitments authorized during the year.

In accordance with Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments which received prior authorization from your Board of Directors.

1. With Banque de Luxembourg (BDL) and CIC

Corporate officers concerned

Mr. Michel Lucas, Chairman and Chief Executive Officer of BFCM,
Mr. Alain Fradin, Chief Operating Officer of BFCM,
Messrs. Jacques Humbert, Maurice Corgini, Jean-Louis Girodot, directors of BFCM,
Mr. Daniel Leroyer, permanent representative of CFCM Maine-Anjou, Basse Normandie to the Board of Directors of your company.

Nature, purpose and conditions

Banque de Luxembourg, CIC and your company are part of the CM11-CIC Group and, as such, have occasion to lend and borrow sums of money through transactions carried out between your company and Banque de Luxembourg, on the one hand, and between CIC and Banque de Luxembourg, on the other hand, in order to most effectively manage their respective cash flows.

These entities wish to globalize their present and future transactions and benefit from the provisions of Articles L. 211-36 et seq. of the French Monetary and Financial Code (Code Monétaire et Financier) and the Luxembourg law of August 5, 2005 concerning collateral security agreements.

These entities therefore decided to enter into a netting agreement which provides that, in the event of default, the transactions in question may be cancelled and the resulting debts and receivables, regardless of their due dates, their purposes or the currencies in which they are denominated, may be offset.

This netting agreement between your company, Banque de Luxembourg and CIC received prior authorization from your Board of Directors on July 26, 2012.

2. CMNE securitization with Caisse Fédérale de Crédit Mutuel (CFdeCM)

Corporate officiers concerned

Mr. Michel Lucas, Chairman and Chief Executive Officer of BFCM,

Messrs. Jean-Louis Boisson, Jacques Humbert, Gérard Bontoux, Gérard Cormorèche, François Duret, Pierre Filliger, Jean-Louis Girodot, Albert Peccoux, Alain Têtedoie, Eckart Thöma, Michel Vieux, directors of BFCM.

Nature, purpose and conditions

The following agreements concerning the implementation of a refinancing mechanism with Crédit Mutuel Nord Europe were authorized by your Board of Directors on July 26, 2012 :

• the Master Framework and Definitions Agreement between your company (as Borrower, Custodian, Collateral Security Agent, Issuer Accounts Bank, Issuer Cash Manager, Collection Loss Collateral Provider), CFdeCM (as Seller, Intermediary Bank and Issuer Servicer), CM-CIC Securities (as Paying Agent), Caisse Fédérale du Crédit Mutuel Nord Europe (as Initial Notes Subscriber and Sub-Collateral Security Agent), CMNE Home Loans FCT (represented by France Titrisation) and France Titrisation (as Management Company) ;

• the Borrower Facility Agreement between your company (as Borrower) and CFdeCM (as Intermediary Bank) ;

• the Collateral Security Agreement between your company (as Collateral Security Agent, Collateral Provider and Borrower), CFdeCM (as Intermediary Bank), Caisse Fédérale du Crédit Mutuel Nord Europe (as Sub-Collateral Security Agent) and the Collateral Providers;

• the Collection Loss Collateral Agreement between your company (as Borrower, Custodian and Collection Loss Collateral Provider) and CFdeCM (as Intermediary Bank and Issuer Servicer), and CMNE Home Loans FCT (represented by France Titrisation (as Management Company) ;

• the Transfer and Servicing Agreement between your company (as Borrower and Custodian), CFdeCM (as Issuer Servicer, Seller and Intermediary Bank) and CMNE Home Loans FCT (represented by France Titrisation (as Management Company) ;

• the 2012 TEG Letter, which must be sent by CFdeCM (as Intermediary Bank) to your company (as Borrower), with a copy to France Titrisation (as Management Company) ;

• the 2012 Drawdown Request, which must be sent by your company (as Borrower) to CFdeCM (as Intermediary Bank), with a copy to France Titrisation (as Management Company).

3. Zéphyr securitization with Caisse Fédérale de Crédit Mutuel (CFdeCM), Crédit Mutuel Maine-Anjou, Basse Normandie and Crédit Mutuel Océan

Corporate officers concerned

Mr. Michel Lucas, Chairman and Chief Executive Officer of BFCM,

Messrs. Jean-Louis Boisson, Jacques Humbert, Gérard Bontoux, Gérard Cormorèche, François Duret, Pierre Filliger, Jean-Louis Girodot, Albert Peccoux, Alain Têtedoie, Eckart Thöma and Michel Vieux, directors of BFCM,

Mr. Daniel Leroyer, permanent representative of Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse Normandie to the Board of Directors of your company.

Nature, purpose and conditions

The following agreements concerning the implementation of a refinancing mechanism with Crédit Mutuel Maine-Anjou, Basse Normandie and Crédit Mutuel Océan were authorized by your Board of Directors on July 26, 2012 :

• the Master Framework and Definitions Agreement between your company (as Borrower, Custodian, Collateral Security Agent, Issuer Accounts Bank, Issuer Cash Manager, Collection Loss Collateral Provider), CFdeCM (as Seller, Intermediary Bank and Issuer Servicer), CM-CIC Securities (as Paying Agent), Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie (as Initial Notes Subscriber and Sub-Collateral Security Agent), Caisse Fédérale du Crédit Mutuel Océan (as Initial Notes Subscriber and Sub-Collateral Security Agent), ZEPHYR Home Loans FCT (represented by France Titrisation (as Management Company)) and France Titrisation (as Management Company) ;

• the Borrower Facility Agreement between your company (as Borrower) and CFdeCM (as Intermediary Bank) ;

• the Collateral Security Agreement between your company (as Collateral Security Agent, Collateral Provider and Borrower), CFdeCM (as Intermediary Bank), Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie (as Sub-Collateral Security Agent), Caisse Fédérale du Crédit Mutuel Océan (as Sub-Collateral Security Agent) and the Collateral Providers ;

• the Collection Loss Collateral Agreement between your company (as Borrower, Custodian and Collection Loss Collateral Provider), CFdeCM (as Intermediary Bank and Issuer Servicer) and ZEPHYR Home Loans FCT (represented by France Titrisation (as Management Company) ;

• the Transfer and Servicing Agreement between your company (as Borrower and Custodian), CFdeCM (as Issuer Servicer, Seller and Intermediary Bank) and ZEPHYR Home Loans FCT (represented by France Titrisation (as Management Company) ;

• the 2012 Drawdown Request, which must be sent by your company (as Borrower) to CFdeCM (as Intermediary Bank), with a copy to France Titrisation (as Management Company) ;

• the 2012 TEG Letter, which must be sent by CFdeCM (as Intermediary Bank) to your company (as Borrower), with a copy to France Titrisation (as Management Company).

4. US MTN Covered Bonds program with Caisse Fédérale de Crédit Mutuel (CFdeCM) and CIC

Corporate officers concerned

Mr. Michel Lucas, Chairman and Chief Executive Officer of BFCM,

Messrs. Jean-Louis Boisson, Jacques Humbert, Gérard Bontoux, Gérard Cormorèche, François Duret, Pierre Filliger, Jean-Louis Girodot, Albert Peccoux, Alain Têtedoie, Eckart Thöma and Michel Vieux, directors of BFCM.

Nature, purpose and conditions

The amendments to the following agreements concerning the implementation of a US MTN Issue Program were authorized by your Board of Directors on July 26, 2012 :

• an amendment to the Collateral Security Agreement to be made by your company (as Collateral Security Agent, Collateral Provider, Administrator, Borrower and Issuer Calculation Agent), Crédit Mutuel-CIC Home Loan SFH (as Lender) and various collateral providers that are members of the CM-CIC Group ;

• an amendment to the outsourcing and funds supply agreement to be made by your company, Crédit Mutuel-CIC Home Loan SFH, CFdeCM and CIC.

5. With Targobank Germany

Corporate officers concerned

Messrs. Eckart Thomä and Jean-Paul Martin, directors of BFCM.

Nature, purpose and conditions

On November 16, 2012, your Board of Directors authorized the following agreement :

Except in Germany, ownership of the Targo Bank brand name has been assigned by Targobank Germany to your company which may therefore, under the legal conditions specific to each country, make it available to any subsidiary it controls provided that it ensures compliance with the specifications of the brand name. To this end, your company delegates to Targobank Germany the task of monitoring and managing protection of the brand name on behalf of the Group.

Agreements and commitments already approved by the shareholders' meeting

In accordance with Article R. 225-30 of the French Commercial Code, we have been advised that implementation of the following agreements and commitments, already approved by the Shareholders' Meeting in prior years, continued during the year.

1. With Mr. Alain Fradin, Chief Operating Officer

Nature and purpose

On May 11, 2011, the Board of Directors decided to approve the proposals of the remuneration committee regarding the fixed and variable compensation and other employee benefits of Mr. Alain Fradin.

In addition, on May 11, 2011, the Board of Directors also decided to approve the proposal of the remuneration committee regarding the termination indemnity of Mr. Alain Fradin, calculated based on the average of the last 12 months preceding the end of his term of office.

The payment of this indemnity is subject to a performance condition based on the Group's total consolidated IFRS equity on the final date of the term of office. With regard to this term of office, the above-mentioned indemnity is without prejudice to any indemnity he may receive as an employee, in accordance in particular with the agreements in force at the Group.

As an employee, Mr. Alain Fradin is subject to the company's supplementary pension rules of January 1, 2008. Consequently, the remuneration committee has proposed that these pension rules be applied to the remuneration of Mr. Alain Fradin, in his capacity as Chief Operating Officer, under the same conditions that apply to all the Group's employees.

However, it should be recalled that Mr. Alain Fradin has been an employee of the Group since June 1, 1983 and that his employment contract was suspended effective May 1, 2011.

Conditions

The termination indemnity of Mr. Alain Fradin as Chief Operating Officer currently represents an estimated commitment of €1.12 million (including social security and other payroll-related expenses).

Mr. Alain Fradin is also covered by a supplementary pension plan within the framework of his corporate office, the conditions of which are the same as those that apply to the other employees of your company and for which the contributions paid to the insurance company covering this entire commitment amounted to €17,604 in 2012.

2. With Crédit Mutuel-CIC Home Loan SFH (formerly CM-CIC Covered Bonds), a wholly-owned subsidiary of your company

Nature and purpose

The CM11-CIC Group wished to significantly increase its medium- and long-term financing base to meet the needs created by its expansion. As such, a project was initiated to create favorable refinancing conditions for certain real estate loans.

Since 2007, this refinancing has been carried out through a subsidiary of your company called CM-CIC Covered Bonds (now called Crédit Mutuel-CIC Home Loan SFH, after obtaining the new status of housing finance company (société de financement de l'habitat or SFH)). The sole activity of this company is to refinance the CM11-CIC Group by issuing covered bonds as part of a Euro Medium-Term Notes issue program.

The proceeds from these issues enable CM-CIC Covered Bonds to fund the CM11-CIC Group's traditional refinancing channels by granting loans to your company.

At its meeting on August 3, 2009, your Board of Directors authorized the amendments to the Program Documents in connection with the increase in the cap of the Covered Bonds issue.

At its meeting on April 8, 2011, your Board of Directors authorized the amendments to the collateral security agreement and to the outsourcing agreement, primarily to take into account the status of housing finance company obtained by CM-CIC Covered Bonds.

As part of the SFH Program, local branches newly affiliated with Caisse Fédérale de Crédit Mutuel are expected to adhere to the Collateral Security Agreement as collateral providers. This will take effect through the signing of a letter of adherence, a sample of which is provided in the appendix to the Collateral Security Agreement, or any equivalent document (the "Letter of Adherence"), by each of the local branches affiliated with Caisse Fédérale de Crédit Mutuel whose name appears in the appendix to said Letter of Adherence (jointly, the "Local Branches").

At its meeting on July 28, 2011, your Board of Directors approved the adherence of the Local Branches to the Collateral Security Agreement through the signing of the Letter of Adherence and authorized the Chief Operating Officer to finalize and sign any document related to the adherence of the Local Branches, to negotiate and sign any amendment, and to sign any additional, reiterative or amending documents.

Conditions

At December 31, 2012, loans granted by Crédit Mutuel-CIC Home Loan SFH to your company totaled €20.613 billion. In this respect, your company recognized an expense of €665.1 million in the financial statements for the year ended December 31, 2012.

3. With Caisse Fédérale de Crédit Mutuel (CFdeCM)

Mr. Michel Lucas, Chairman and Chief Executive Officer of BFCM,

Messrs. Jean-Louis Boisson, Jean-Louis Girodot, Albert Peccoux, Jacques Humbert, Gérard Bontoux, Gérard Cormorèche, Alain Têtedoie, directors of BFCM.

Nature and purpose

The CM11-CIC Group wished to set up an internal system to securitize its receivables representing housing loans granted to its customers and ineligible for other current refinancing arrangements (Caisse de refinancement de l'habitat, SFEF, covered bonds program) in order to create an additional source of refinancing.

The securitization was carried out by a securitization mutual fund called CM-CIC Home Loans FCT. A "securitizable loan" was granted by CFdeCM to your company, which used this amount to fund the CM11-CIC Group's traditional refinancing channels. This loan was subsequently purchased by CM-CIC Home Loans FCT, which issued notes to finance this acquisition. These notes were then immediately acquired by your company and deposited under repurchase agreements with the European Central Bank to cover the refinancing granted by the central bank.

The commitments given by your company in respect of this "securitizable loan" granted by CFdeCM are guaranteed by financial guarantees on housing loan receivables. These are issued by local branches of Crédit Mutuel that belong to CFdeCM and by banks within the CIC group (the "collateral providers") in favor of CFdeCM on behalf of your company. Thus, when it purchased the "securitizable loan", CM-CIC Home Loans FCT became the beneficiary of the collateral issued and may take advantage of this to obtain a "AAA" rating.

This "Collateral Security Agreement" is between, firstly, your company as borrower, agent for the collateral security and "collateral provider" on its own behalf, secondly, CFCM as intermediary bank which granted the "securitizable loan" to your company and, lastly, all CM11-CIC Group entities required to provide collateral.

This agreement stipulates, in particular, conditions of remuneration of each "collateral provider".

This operation was authorized by the Board of Directors at its meeting on August 3, 2009. As such, several contractual documents were signed by your company with Caisse Fédérale de Crédit Mutuel.

At its meeting on July 28, 2011, the Board of Directors approved the amendment to the collateral security agreement and a master amendment to the program documentation, and authorized the Chief Operating Officer to finalize and sign any document related to the adherence of the Local Branches, to negotiate and sign any amendment, and to sign any additional, reiterative or amending documents.

Conditions

The collateral security agreements entered into with the collateral providers represented an expense of €2,882,000 for your company in 2012 for guaranteed outstandings of €18.544 billion at December 31, 2012.

4. With Caisse Fédérale de Crédit Mutuel (CFdeCM)

Mr. Michel Lucas, Chairman and Chief Executive Officer of BFCM,

Messrs. Jean-Louis Boisson, Jean-Louis Girodot, Albert Peccoux, Jacques Humbert, Gérard Bontoux, Gérard Cormorèche, Alain Têtedoie, directors of BFCM.

Nature and purpose

As part of the securitization program, the following amendments to the initial agreements were adopted :

- Master Amendment to the Program documentation (amending and/or confirming the Issuer Regulations, the Borrower Facility Agreement, the Collection Loss Collateral Agreement, the Transfer and Servicing Agreement, the Hedging Approved Form Letter, the Issuer Accounts and Cash Management Agreement and the Paying Agency Agreement, relating to CM-CIC Home Loans FCT) entered into by France Titrisation, CM-CIC Home Loans FCT (represented by France Titrisation), Caisse Fédérale de Crédit Mutuel, CM-CIC Securities and Banque Fédérative du Crédit Mutuel on September 28, 2011 ;
- Amendment to the Collateral Security Agreement entered into by CM-CIC Home Loans FCT (represented by France Titrisation), Caisse Fédérale de Crédit Mutuel, the local branches acting as Collateral Providers and Banque Fédérative du Crédit Mutuel on September 28, 2011 ;
- 2011 TEG Letter signed by Caisse Fédérale de Crédit Mutuel and Banque Fédérative du Crédit Mutuel on September 28, 2011.

Conditions

The purpose of the amendments was to :

- increase the program cap from €10 billion to €20 billion ;
- issue three new categories of bonds (categories A4, A5 and A6, as described in the prospectus of September 28, 2011 and which received FCT approval no. 11-10) for a total amount of €10 billion ; and
- update all documentation to reflect changes at the Group (change of name of Caisse Fédérale de Crédit Mutuel and the CIC entities) and legislative and regulatory changes since the program's creation in 2009 and correct immaterial errors.

Paris-La Défense, April 19, 2013

KPMG Audit	Ernst & Young et Autres
A unit of KPMG S.A.	French original signed by
French original signed by	
Jean-François Dandé	Olivier Durand
Associé	Associé

VIII.3 – Statutory auditors' report on the cancellation of preferential subscription rights

This is a free translation of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French Law and professional auditing standards applicable in France.

KPMG Audit
A unit of KPMG
1, cours de Valmy
92923 Paris-La Défense Cedex, France

Statutory Auditor
Member of the Versailles regional institute of accountants

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1, France
S.A.S. à capital variable (simplified stock company with variable capital)

Statutory Auditor
Member of the Versailles regional institute of accountants

Banque Fédérative du Crédit Mutuel (BFCM)
Registered office : 34, rue du Wacken – 67000 Strasbourg
Share capital : €1,326,630,650.00

Report of the Statutory Auditors on the capital increase with cancellation of preferential subscription rights

Extraordinary General Meeting of Shareholders of May 7, 2013 - Resolution 1

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with the assignment stipulated in Articles L. 225-135 et seq. of the French Commercial Code (Code de commerce), we hereby report to you on the proposed capital increase through the issue of ordinary shares with cancellation of preferential subscription rights in the amount of €25 million reserved for the Crédit Mutuel Anjou group, on which you are asked to vote. This capital increase will result in the issue of 52,521 shares with a par value of €50 each and with an issue premium of €426.

This transaction is being carried out as a result of the partnership with the Crédit Mutuel d'Anjou group that became effective on January 1, 2012. As with previous partnerships, the agreements provide for the group's acquisition of an equity interest.

It is the responsibility of the Board of Directors to draw up a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code. It is our responsibility to express an opinion on the accuracy of the quantified information taken from the financial statements, the proposal to cancel preferential subscription rights and certain other information concerning the issue provided in this report.

We followed the procedures which we considered necessary to comply with professional guidance given by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of audit.

These procedures consisted in particular in verifying :

- the information provided in the Board of Directors' report on the reasons for the proposal to cancel preferential subscription rights, the justification of the choice of factors used to calculate the issue price and the issue amount ;
- the accuracy of the quantified information taken from the annual financial statements approved by the Board of Directors. We have audited these financial statements in accordance with professional standards applicable in France.

We have no comments regarding :

- the accuracy of the quantified information taken from these financial statements and provided in the Board of Directors' report, it being stipulated that the annual financial statements have not yet been approved by the Shareholders' Meeting ;
- the choice of factors used to calculate the issue price and the issue amount.
- the presentation of the effect of the issue on the shareholders' financial position as expressed in relation to the shareholders' equity ;
- the proposal to cancel preferential subscription rights made to you.

Paris La Défense, April 19, 2013

KPMG Audit
A unit of KPMG S.A.
French original signed by

Jean-François Dandé
Partner

Ernst & Young et Autres
French original signed by

Olivier Durand
Partner

VIII.4 – Sundry information

VIII.4.1 – Issuer's corporate name and trading name

Banque Fédérative du Crédit Mutuel (BFCM)

VIII.4.2 – BFCM's place of incorporation and registration number

Strasbourg B 355 801 929
Code APE / NAF : 6419 Z

VIII.4.3 – BFCM's date of incorporation and term

The company was formed on June 1, 1933 under the name "Banque Mosellane". Except in the event of an extension or early winding up, it will cease to exist on June 1, 2032.

VIII.4.4 – Registered office, legal form, legislation governing BFCM's activities, country of origin, number of BFCM's registered office

BFCM is a French Société Anonyme à Conseil d'Administration (joint-stock company with a Board of Directors). As a credit institution and société anonyme, it is subject to a statutory audit by two registered audit firms. The statutory auditors are appointed by the company's Shareholders' Meeting for a term of six years, subject to approval by the Prudential Supervisory Authority (Autorité de Contrôle Prudentiel – ACP).

BFCM is governed by the provisions of the French Commercial Code (Code de commerce) regarding sociétés anonymes and by the laws applicable to French credit institutions, the bulk of which is codified in the French Monetary and Financial Code (Code monétaire et financier). BFCM is a member bank of Fédération Bancaire Française (FBF – French Banking Federation).

The legal documents relating to Banque Fédérative du Crédit Mutuel may be consulted at the company's registered office at 34 rue du Wacken, 67000 Strasbourg, France. ☎ +33 (0)3 88 14 88 14.

VIII.4.5 – Corporate purpose (Article 2 of the company's bylaws)

The company's purpose is to :

– organize and develop the diversification activities of the group that it forms with the Caisses de Crédit Mutuel within its own business scope and the Caisse Fédérale de Crédit Mutuel and the Fédération du Crédit Mutuel Centre Est Europe,

– undertake, for its own account, on behalf of third parties or on a joint basis, in France and elsewhere, all banking operations and all connected and ancillary operations, to perform all insurance brokerage activities and, more generally, all insurance intermediation activities as well as all other operations falling within a bank's scope of activity in accordance with the regulations and prevailing legislation,

– acquire or manage any direct or indirect shareholdings in any French or foreign companies by means of the formation of companies, contributions, subscriptions or purchases of shares or equity interests, mergers, associations or shareholdings, guarantee syndicates or otherwise, and

– generally undertake all financial, industrial, commercial, movable and immovable property operations relating directly or indirectly to the aforementioned purposes or falling within a bank's scope of activity.

The company's purpose is also to provide investment services governed by the French Monetary and Financial Code.

VIII.4.6 – Financial year

The company's financial year runs from January 1 to December 31 of each calendar year.

VIII.4.7 – Appropriation of profits (Article 40 of the company's bylaws)

After allocation to the legal reserve, if the financial statements for the financial year approved by the Shareholders' Meeting show a distributable profit, the Shareholders' Meeting shall decide to allocate said profit to one or more reserve accounts whose allocation and use it shall determine, to carry it forward as retained earnings or to distribute it.

In the event of a distribution, the dividends shall in the first instance be drawn from the profits of the year just ended.

After recognizing the existence of reserves at its disposal, the Shareholders' Meeting may decide to distribute sums taken from these reserves. In this case, the decision shall expressly indicate the specific reserves from which the amounts are to be taken.

The Shareholders' Meeting approving the financial statements for the year has the option to grant each shareholder a choice between payment in cash or in shares, for all or part of the dividend distributed, in accordance with the prevailing legal provisions.

The Board of Directors may also decide to pay interim dividends, granting each shareholder a choice between payment in cash or in shares.

VIII.4.8 – Shareholders' Meetings

The Shareholders' Meeting is called by the Board of Directors by publication of a notice in a journal recognized for the publication of legal notices in the location of the registered office. This notice of meeting is reproduced in the form of an individual letter sent by ordinary mail to shareholders who have held registered shares for at least one month at the date of publication of this notice.

As the capital is composed entirely of common stock, one share entitles the holder to one vote. There are no double voting rights.

Furthermore, the bylaws do not make provision for a disclosure threshold. BFCM's capital is "closed" (see Article 10 of BFCM's bylaws under the section "Additional specific provisions relating to the issuer").

VIII.4.9 – Additional specific provisions relating to the issuer

Shareholder structure

Conditions for admission of shareholders (extract from BFCM's bylaws, Article 10)

The only shareholders of the company shall be :

1. Fédération du Crédit Mutuel du Centre Est Europe, Caisse Fédérale de Crédit Mutuel and the mutual insurance company "Assurances du Crédit Mutuel – Vie" ;
2. Caisses de Crédit Mutuel and other cooperative and mutual bodies that are members of the Fédérations du Crédit Mutuel Centre Est Europe, du Sud-Est, d'Île-de-France, de Savoie Mont-Blanc, de Midi-Atlantique, de Loire-Atlantique Centre-Ouest, du Centre, de Normandie, du Dauphiné-Vivarais, du Méditerranéen, d'Anjou ;
3. Departmental and interdepartmental Caisses and the Caisse Centrale du Crédit Mutuel covered by Article 5-1 paragraphs 3 and 4 of the decree of October 16, 1958. The subsidiaries or shareholdings of entities covered by points 2 and 3 above and which are controlled by one or more departmental and interdepartmental Caisses.
4. The members of the company's Board of Directors.

Individuals or legal entities that do not fall into any of the abovementioned categories and who remain owners of shares in the company may retain their shares in their personal capacity.

The provisions of this article may be modified only after obtaining approval from the Chambre Syndicale de la Fédération du Crédit Mutuel Centre Est Europe and the Shareholders' Meeting of Caisse Fédérale de Crédit Mutuel.

Transfer of BFCM shares

The shares are fully tradable, but transfer of share ownership can take place only between legal entities or individuals meeting the above conditions, after obtaining approval from the Board of Directors (Article 11 of the company's bylaws).

Amount of the subscribed capital, number and class of shares making up the share capital

The share capital amounts to €1,326,630,650.00 and is divided into 26,532,613 shares of €50 each, all belonging to the same class.

Unissued authorized capital

None.

Convertible bonds that can be exchanged or redeemed giving access to the capital

None.

Statement of changes in capital

See "Five-year financial summary" in the chapter entitled "Financial components of BFCM's corporate financial statements".

Market for the issuer's securities

Banque Fédérative du Crédit Mutuel's shares are not quoted or traded on any market.

Dividends

Earnings and dividends for the last five years

	2008	2009	2010	2011	2012
Number of shares at December 31	26,043,845	26,043,845	26,043,845	26,496,265	26,532,613 [1]
Net earnings (€/share)	- 5.01	12.71	11.6	10.94	24.48
Gross dividends (€/share)		4.96		2.00	2.65 [2]
				0.83	1.33 [2]

1. 26,496,265 shares carrying dividend rights for the full year and 36,348 new shares carrying dividend rights from June 23, 2012.
2. The dividend paid is €2.65 for shares carrying dividend rights for the full year and €1.33 for new shares carrying dividend rights from June 23, 2012.

Dividends not claimed are subject to the provisions of Article L. 27-3 of the Code of State-Owned Property (Code du Domaine de l'Etat) which states that : "…Deposits of pecuniary sums and, more generally, all cash assets held at banks, credit institutions and all other establishments holding funds on deposit or in current accounts, when such deposits or assets have not been subject to any operation or claim for thirty years by those entitled to such sums, shall definitively revert to the State…"

VIII.4.10 – Financial information appearing in the registration document that is not drawn from the issuer's audited financial statements

Financial information appearing in the registration document that is not drawn from the issuer's audited financial statements includes the following points extracted from the following sections :

CM11-CIC group and BFCM group presentation

– CM11-CIC Group's organization and business lines (I.3 page 12)

Risk report

– Interbank loans (V.4.1.2.3 page 188)
– Interest-rate risk management (V.4.2.2 page 189)
– Risk management (V.4.3.3 page 194)
– The European solvency ratio (V.4.4 page 195)
– Operational risk (V.4.5 page 195)

VIII.4.11 – Date of latest financial information

BFCM's latest reported financial information dates from December 31, 2012.

VIII.4.12 – Half-year financial information

Not applicable.

VIII.4.13 – Material changes in the issuer's financial position

There have been no material changes in the BFCM Group's financial or commercial position since publication on February 28, 2013 of the financial statements for the year ended December 31, 2012. Similarly, there has been no material deterioration in BFCM's prospects since this date.

VIII.4.14 – Recent events specific to BFCM having a material impact on the measurement of its solvency

Banque de Tunisie

The Banque Fédérative du Credit Mutuel, which directly holds 22,500,000 shares and voting rights representing 20% stake in the Banque de Tunisie, said he crossed up on January 11, 2013, the threshold of 20% of capital and that, following the acquisition by registration listing of 14,633,340 shares, representing 13.007% of the capital.

Following this acquisition, the registrant currently holds 37,133,340 shares, representing 33.007% of the capital and 33.9% [1] of the voting rights of the issuer.

– The declarant reserves the right to increase its participation as opportunities arise, without intent to acquire control;
– The declarant already has two representatives on the Board of Directors of the Company and does not intend to request the appointment of additional representatives at this stage.

This statement was issued to the Stock Exchange by the declarant, January 16, 2013.

Monetico International

On April 5, 2013, Mouvement Desjardins, the leading financial cooperative group in Canada, and Crédit Mutuel-CIC Group, a leading mutualist financial institution in Europe, announced the creation of Monetico International (MI). The Montreal-based company will offer innovative payment solutions to customers of merchants of both financial institutions.

Thanks to the combined strengths of these two groups, Monetico International will rank among the world's 10 largest organizations specialized in electronic payment acquisition (acceptance of electronic payments at merchant sites), with over 400,000 merchants and more than 3.3 billion payment transactions per year.

Both institutions will draw on their technological expertise to lay the foundations of Monetico International, which will coordinate the electronic payment acquisition activities on two continents and later be capable of expanding its services around the world. The two groups will use a shared platform to provide all their electronic payment acquisition services and will work together to develop payment solutions based on international standards.

BFCM's rating

On June 20, 2013, Standard & Poor's Ratings Services lowered to 'A' from 'A+' its long-term counterparty credit rating on Banque Fédérative du Crédit Mutuel because France's banking sector is facing increased industry risks, including pressure on revenues from the slowing economy and recent reforms that have constrained the environment for banks. Outlook remained stable.

There have been no material changes in the Group's financial or commercial position since the end of the last financial year for which audited financial statements have been published that are likely to affect its solvency.

1. Based on 3,001,350 shares Banque de Tunisie society held by Astrée, a subsidiary of Bank of Tunisia, and denied voting rights in accordance with the last paragraph of the Commercial Companies Code Article 466.

VIII.4.15 – Earnings forecasts and estimates

Not applicable.

VIII.4.16 – Major contracts

There are no major contracts (other than contracts entered into in the normal course of business) that might confer on BFCM and/or its fully or proportionately consolidated subsidiaries a right or obligation impacting BFCM's capacity to meet its obligations toward the holders of securities issued, pursuant to such securities.

VIII.4.17 – Information from third parties, experts' declarations and declarations of interest

Not applicable.

VIII.4.18 – Legal procedures and arbitration

During the last 12 months, BFCM has had no knowledge of any governmental, legal or arbitration proceedings pending, stayed or in preparation, that might have or which have recently had a material effect on the financial position or profitability of BFCM and/or its fully or proportionately consolidated subsidiaries.

IX. ADDITIONAL INFORMATION

IX.1 – Documents available to the public

During the period of validity of the registration document, the following documents (or copies thereof) may be consulted :

By accessing BFCM's website (Institutional site)

http://www.bfcm.creditmutuel.fr

– Historical financial information on BFCM and the CM11-CIC Group for each of the two financial years preceding publication of the registration document.

– This registration document and those for the two preceding financial years.

– The annual information document : pursuant to the provisions of Articles L. 451-1-1 of the French Monetary and Financial Code and 222-7 of the General Regulations of the Autorité des Marchés Financiers, the annual information document mentions the information published or made public by the Banque Fédérative du Crédit Mutuel, its main subsidiary CIC and Groupe Crédit Mutuel Centre Est Europe to comply with these statutory and regulatory obligations. It covers the information for the last 12 months, classified by type of distribution medium.

In document form

– The issuer's deed of constitution and bylaws.

– All reports, mail and other documents, historical financial information, assessments and declarations compiled by an expert at the issuer's request, a part of which is included or referred to in the registration document.

– Historical financial information on BFCM's subsidiaries for each of the two financial years preceding publication of the registration document.

By mailing a written request to :

Banque Fédérative du Crédit Mutuel
Département Juridique
34, rue du Wacken BP 412
67002 Strasbourg Cedex

IX.2 – Person responsible for the information

Mr. Marc Bauer
Chief Operating Officer of BFCM and Chief Financial Officer of CM11-CIC Group
Telephone: +33 (0)3 88 14 68 03
Email: marc.bauer@creditmutuel.fr

IX.3 – Person responsible for the Registration Document

Mr. Michel Lucas, Chairman and Chief Executive Officer of Banque Fédérative du Crédit Mutuel.

Certification by the person responsible

After taking all reasonable measures to this effect, I certify that, to the best of my knowledge, the information contained in this Registration Document is consistent with the facts and does not contain such omissions as may adversely affect its scope.

I certify that, to the best of my knowledge, the financial statements are drawn up in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the company and of all the companies included in the consolidation scope, and that the management report, the contents of which are indicated in the cross-reference table on page 341 and 343, gives a true and fair view of changes in the business, results and financial position of the company and of all the companies included in the consolidation scope as well as a description of the main risks and uncertainties faced by those companies.

I have obtained from the statutory auditors of the financial statements, KPMG Audit and Ernst & Young et Autres, a completion letter, in which they indicate that they have audited the financial position and the financial statements provided in this document and read the entire document.

The historical financial information relating to the year ended December 31, 2011 referenced in this document has been reported on by the statutory auditors, with an observation concerning the annual financial statements.

Signed in Strasbourg on August 1, 2013.

Mr. Michel Lucas, Chairman of the Board of Directors of Caisse Fédérale de Crédit Mutuel.

Certification by the person responsible

After taking all reasonable measures to this effect, I certify that, to the best of my knowledge, the information contained in this Registration Document is consistent with the facts and does not contain such omissions as may adversely affect its scope.

I certify that, to the best of my knowledge, the financial statements are drawn up in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the company and of all the companies included in the consolidation scope, and that the management report, the contents of which are indicated in the cross-reference table on page 341 and 343, gives a true and fair view of changes in the business, results and financial position of the company and of all the companies included in the consolidation scope as well as a description of the main risks and uncertainties faced by those companies.

I have obtained from the statutory auditors of the financial statements, KPMG Audit and Ernst & Young et Autres, a completion letter, in which they indicate that they have audited the financial position and the financial statements provided in this document and read the entire document.

The historical financial information relating to the year ended December 31, 2011 referenced in this document has been reported on by the statutory auditors, with an observation concerning the annual financial statements.

Signed in Strasbourg on August 1, 2013.

IX.4 – Statutory Auditors

IX.4.1 – Statutory Auditors

IX.4.1.1 – Principal Statutory Auditors

Ernst & Young et Autres, member of the Regional Institute of Accountants of Versailles – represented by Olivier Durand – 1/2, place des Saisons – 92400 Courbevoie-Paris-La Défense 1.
– Start date of first term of office: September 29, 1992.
– Current term of office: six financial years with effect from May 12, 2010.
– Renewal : the Shareholders' Meeting renewed the term of office of Ernst & Young et Autres as Statutory Auditors for a period of six years, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2015.

KPMG Audit, member of the Regional Institute of Accountants of Versailles, represented by Mr. Jean-François Dandé, 1 cours Valmy, 92923 Paris La Défense Cedex.
– Start date of first term of office: September 29, 1992.
– Current term of office: six financial years with effect from May 12, 2010.

The Shareholders' Meeting appointed KPMG as Statutory Auditors for a period of six years, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2015.

IX.4.1.2 – Alternate Statutory Auditors

Cabinet Picarle & Associés, Malcom McLarty.

IX.4.1.3 – Resignation and non-renewalt

Not applicable.

IX.5 – Registration document cross-reference table

In order to facilitate the use of the registration document, the following cross-reference table identifies the main heading required by Annex 11 of European Regulation No. 809/2004 pursuant to the so-called "Prospectus" Directive.

Registration document cross-reference table

Chapters of Annex XI of European Regulation No. 809/2004	Pages
Chapter I – Persons responsible	
1.1. Person responsible for the Registration Document	339
1.2. Certification by the person responsible	339
Chapter II – Statutory auditors	
2.1. Statutory auditors	340
2.2. Resignation and non-renewal	340
Chapter III – Risk factors	
3.1. Risks affecting the issuer	179-197
Chapter IV – Information about the issuer	
4.1. History and development of the company	22-23
4.1.1. Issuer's legal name and commercial name	334
4.1.2. BFCM's place of registration and registration number	334
4.1.3. BFCM's date of incorporation and length of life	334
4.1.4 Registered office, legal form, legislation governing BFCM's activities, country of incorporation, telephone number of BFCM's registered office	334
4.1.5 Recent events particular to BFCM which are to a material extent relative to the evaluation of its solvency	336
Chapter V – Business overview	
5.1. Main activities	
5.1.1. Principal activities of BFCM	12-21
5.1.2. New products and/or activities	12
5.1.3. Principal markets	12
5.1.4 Basis for any statements in the registration document made by the issuer regarding its competitive position	12
Chapter VI – Organizational structure	
6.1. Description of the company and of the Group	8-9
6.2 Dependency of the issuer on other entities within the Group	317
Chapter VII – Trend information	
7.1 Statement on BFCM's prospects	178
7.2 Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	178
Chapter VIII – Profit forecasts or estimates	337
Chapter IX – Administrative, management and supervisory bodies	
9.1 Names and functions of the members of administrative bodies, BFCM management and significant main activities exercised outside of management.	25-30
9.2 Conflicts of interest of the members of the administration, management and supervisory bodies	31
Chapter X – Major shareholders	
10.1 Indications as to whether BFCM is directly or indirectly controlled by the Group (CM11-CIC) and description of the nature of such control.	317
10.2 Any arrangements known to BFCM which may result in a change of its control	317

Chapters of Annex XI of European Regulation No. 809/2004	Page
Chapter XI – Financial information concerning the issuer’s assets and liabilities, financial position and profits and losses	
11.1 Historical financial information	342
11.2 Financial statements	80-146 / 198-263 / 270-301
11.3.1 Report of statutory auditors on historical financial information	147-148 / 264-265 / 302-303
11.3.2 Other information verified by the statutory auditors	336
11.3.3 Financial information appearing in the registration document that is not drawn from the issuer’s audited financial statements	336
11.4 Date of the latest financial information	336
11.5 Interim financial information	336
11.5.1 Interim financial information	336
11.6. Legal and arbitration proceedings	337
11.7 Significant change in the issuer’s financial position	336
Chapter XII – Material contracts	337
Chapter XIII – Third-party information and statements by experts and declarations of any interest	337
Chapter XIV – Documents available to the public	
14.1. Documents available to the public	339
14.2. Person responsible for the information	339

Pursuant to Article 28 of European Regulation no. 809-2004 on prospectuses and Article 212-11 of the General Regulations of the Autorité des marchés financiers, the following items are included by way of reference:

– The consolidated financial statements together with the management report and the statutory auditor’s report on the consolidated financial statements for the year ended December 31, 2011, and an extract from the company accounts comprising the management report for the year ended December 31, 2011, presented on pages 99 to 180, 30 to 39, 59 to 98 and 181 to 191 of the registration document filed with the AMF on April 25, 2012 under No. D.12-0414, and updated on October 23, 2012 under No. D.12-0414-A01.

– The consolidated financial statements together with the management report and the statutory auditors’ report on the consolidated financial statements for the year ended December 31, 2010, and an extract from the company accounts comprising the management report for the year ended December 31, 2010, presented on pages 94 to 168, 14 to 24, 28 to 34 and 53 to 92 of the registration document filed with the AMF on April 28, 2011 under No. D.11-0396, and updated on October 20, 2011 under No. D.11-0396-A01.

The following thematic table identifies principal information required in the annual financial report pursuant to Article L.451-1-2 of the French Monetary and Financial Code and by Article 222-3 of the AMF's general regulations.

Registration document cross-reference table with information required in the annual financial report	Pages
Certification by the person responsible for the registration document	339
Board of Directors' management report	
Financial review of 2012	46-47 / 173-174
Board of Directors	25 / 30-31
BFCM's main activities	13-21 / 317-318
Information on the activities and results of the subsidiaries and companies controlled (Article L233-6 of the French Commercial Code)	319-325
Trends and outlook	60-178
Financial information relating to BFCM's financial statements	268-269
Financial information relating to BFCM's consolidated financial statements	174-178
Appendix to the management report (list of mandates and functions exercised during the 2012 financial year (article L225-102-1 of the French Commercial Code)	25-30
Corporate and environmental liability and report on the Statutory Auditors	306-314
Financial statements	
Company financial statements	270-301
Statutory Auditors' reports on the annual financial statements	302-303
Consolidated financial statements	198-263
Statutory Auditors' reports on the consolidated financial statements	264-265
Pursuant to Articles 212-13 and 221-1 of the AMF's General Regulations, the following information is also published	
• the fees paid to the Statutory Auditors	263
• the Board Chairman's report on the conditions for preparing and organizing the Board's work and internal control procedures, together with the report on the Statutory Auditors	32-41

Banque Fédérative du Crédit Mutuel – Société Anonyme au capital de 1 326 630 650 euros
Siège social : 34, rue du Wacken – 67913 Strasbourg Cedex 9 – Tél. : 03 88 14 88 14
Adresse télégraphique : CREDITMUT – Télex : CREMU X 880034 F – Télécopieur : 03 88 14 67 00
Adresse SWIFT : CMCIFRPA – R.C.S. Strasbourg B 355 801 929 – ORIAS n° 07 031 238
N° d'identification de TVA intracommunautaire : FR 48 355 801 929

Crédit Mutuel
LA banque à qui parler