

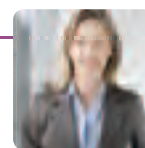
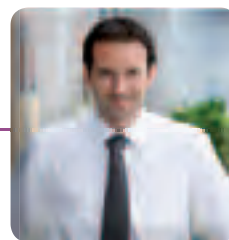


CM5-CIC GROUP **CONSOLIDATED FINANCIAL STATEMENTS** 2010





CM5-CIC



Crédit Mutuel
Centre Est Europe,
Sud-Est,
Ile-de-France,
Savoie-Mont Blanc,
Midi-Atlantique
and CIC

2010 Registration document

Key figures	2
Annual report	5
Risks management	18
Consolidated financial statements	43
Notes to the consolidated financial statements	52
Statutory auditors' report	117

Key figures



Key figures

(in millions of euros)

◆ Consolidated figures on December 31st, 2010

	2010	2009	Variation in euros	Variation in %
Activity				
Balance sheet total	434,262	434,298	- 36	0.0
Credit to customers ¹	229,304	218,017	11,288	5.2
Capital managed and retained ²	430,390	400,832	29,558	7.4
– of which customer deposits ²	154,477	138,602	15,875	11.5
– of which insurance savings	61,345	56,662	4,683	8.3
Equity				
Book equity and perpetuals	25,527	23,468	2,059	8.8
Tier one ratio	10.8%	10.0%		
Workforce (end of period) ³	57,991	55,908		
Number of points of sale	4,017	3,935		
Number of customers	21,490,133	21,078,880		
Consolidated profit and loss account				
Net banking income	10,889	10,122		
Overheads	- 6,356	- 5,949		
Gross operating income	4,533	4,174		
Cost of risk	- 1,305	- 1,987		
Operating income	3,228	2,187		
Net gains/losses with other assets and equity accounting	- 3	- 83		
Result before tax	3,225	2,103		
Income tax	- 884	- 668		
Net accounting profit	2,341	1,435		
Net profit (group share)	1,961	1,194		

Consolidated figures of the branches of Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc and Midi-Atlantique, their common federal branch, the Banque Fédérative du Crédit Mutuel and its main subsidiaries: ACM, BECM, IT etc. including CIC, Targobank (former Citibank Germany), Cofidis, BPH.

1. Including leasing.

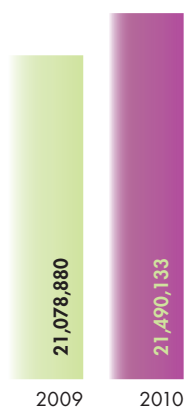
2. SFEF issues are not included in customer deposits.

3. Workforce of entities under the control of the group.

■ Number of points of sale

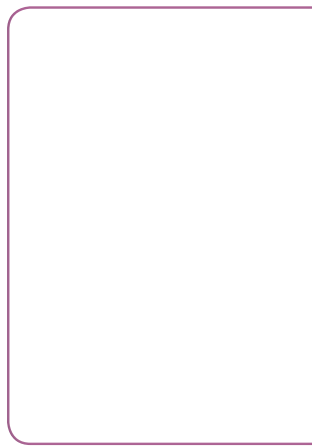
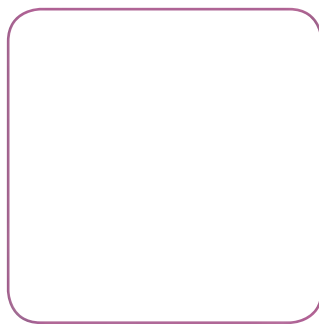


■ Number of customers



■ Workforce (end of period)





Group annual report



□ 2010: the financial crisis accelerated the displacement of the centre of gravity of the world economy

The collapse of institutions engaged in subprime lending in the USA started the current crisis in 2007, marking the end of an uncertain construction based on the growing unbalance between the over-abundance of savings in emerging countries feeding the US property bubble, which itself was based on low interest rates and excessive debt.

The reversal of the US property market then turned into a banking crisis through financial products that were affected by mortgage credit risks. In addition to threatening the solvency of the banking system, the proliferation of these instruments made the risk untraceable, giving rise to a generalised lack of trust in refinancing markets, which trust remains to be rebuilt. The banking crisis thus merely revealed deeper macroeconomic unbalances. In order to prevent a return to the scenario of the great depression of 1929, governments took mass measures to support demand through budgets for growth and the considerable addition of liquidity by central banks. That policy brought public deficits to unparalleled levels, making the crisis take a new form in 2010 in the sovereign debt markets in Europe.

Greece came close to bankruptcy in the spring of 2010, with the revelation of the extent of its budget deficit, which had been concealed for a long time, forcing intervention by Euro zone states and the IMF in the form of bilateral loans given on condition of a severe deficit reduction plan. In October, it was Ireland's turn to lose market confidence, resulting in a bailout system similar to that of Greece. The fear of a domino effect that could affect other European states weakened by the crisis, such as Portugal, Spain and even Belgium, Italy or the United Kingdom, still persists, and is putting pressure on the European Union to the point where the viability of the common European currency in its current form is being questioned.

In that gloomy European landscape, Germany alone stands apart. Its economy took full advantage of the bounce back in global trade, with 3.3% growth in GDP. After ten years of drastic structural reforms, which were solely focused on improving economic competitiveness, the efforts of the Federal Republic came to fruition, bringing unemployment down to its lowest level since reunification, below the symbolic level of three million unemployed.

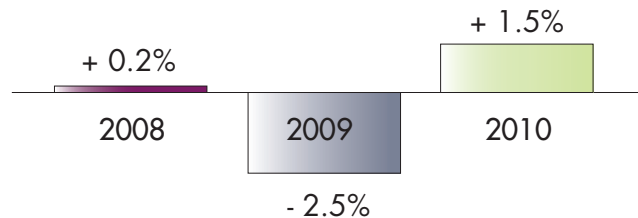
While growth in the Euro zone struggled to reach 1.7% in 2010, at the same time, the emerging countries experienced overall growth of 7.1%, led by the trio made up of China, India and Brazil. As an additional sign of the shift in the economic centre of gravity, in the summer of 2010, China became the second largest

economy in the world, overtaking Japan. With immense domestic markets that are gradually replacing international demand, emergent markets have reduced their dependency on the formerly dominant economic powers.

France faced strong social tensions in 2010, on the backdrop of pension reform and an unemployment rate close to 10%. With a public debt of close to 1,600 billion euros (or 83% of GDP) and a budget deficit of 7.7%, France is now reduced to defending its creditworthiness in the eyes of the markets.

Unable to significantly reduce the burden of public expenditure, the French State decided to increase statutory contributions by reducing tax exemptions. However, the risk of the French debt getting out hand is still a possibility, due to a lack of structural reform.

■ GDP growth in France



Financial sector: paradoxical future reforms?

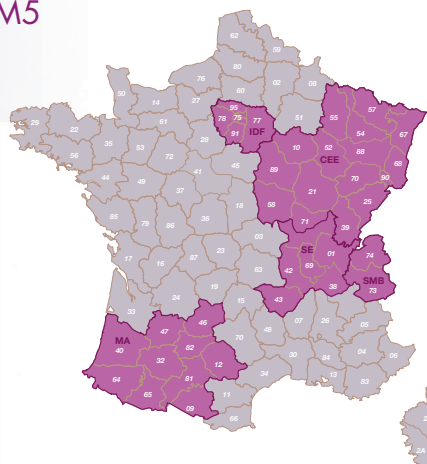
Fingers have been pointed to the excesses of the financial industry as one of the factors of the crisis, and the G20 group of nations asked the Basel Committee (informal body bringing together the central banks and regulatory authorities of the main industrialised countries) to suggest measures to set up a more robust prudential regulatory framework for the banking sector. That led to a set of provisions called "Basel III", the effects of which could paradoxically run counter to the desired objective. These measures ought to be introduced gradually so as to be fully applied from 2019.

The reform measures are primarily focused on the requirement for greater equity compared to the current Basel II agreements. However, one cannot escape the fact that the credit institutions that suffered during the last crisis often had the highest capitalisation ratios. The actual effectiveness of such a measure is thus tempered by the observation of past events.

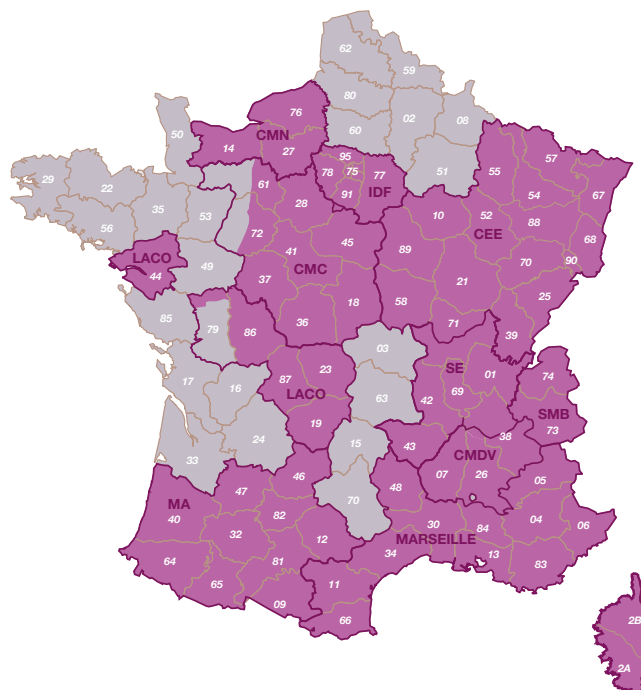
The other contradiction of the Basel III project is that banking and insurance companies will be strongly discouraged by equity penalties, even though the economic diversification and complementarity afforded by their model help improve stability.

The strength shown during the last crisis by Crédit-Mutuel-CIC, a historical pioneer of the banking and insurance concept, is the best illustration of that fact. For its part, the Basel Committee is implicitly promoting a banking development model that is based on a form of received wisdom, which is greatly influenced by the "anglo-saxon" archetypes that have in fact been the reason for the financial crisis.

CM5



CM10



Indeed, these failings can be seen in the new leverage and liquidity ratios proposed by Basel III, which will primarily penalise banks operating in economies where intermediation prevails over market finance, as on the European continent. That means that the European authorities are looking to transpose regulations that draw largely on North-American economic ideas, even though the US does not itself fully apply the agreements of Basel II, with the exception of a minority of institutions.

As a result, European and French banks are going to have to face a higher cost of financing, with greater equity constraints. These factors will implicitly give them an incentive to shed loans granted from their balance sheets, restoring the break between credit origination and credit risk. That situation will repeat the US mechanisms that were behind part of the financial crisis, with subprime loan securitisation and shadow banking using securitisation vehicles. Thus, all the reforms under way seem to solely reflect a model of "anglo-saxon" inspiration, which contrasts with the inability of Europe to defend the operating model of its banks.



The Group Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique and CIC: financial strength and development

A clear strategy focused on local banking and insurance, supported by a dynamic organization and reinforced partnerships.

Away from the practices that go in and out of fashion in banking, the CM5-CIC Group (which became CM10-CIC in 2011) has remained faithful to the guiding principles that have always determined its strategy of service to customers and members: those of mutual banking, local banking, technological banking and banking and insurance services. After the selection of Crédit Mutuel as the “Bank of the year 2010” in France by the magazine *The Banker*, the relevance of those principles is now internationally recognised.

That faithfulness in the execution of strategy is anything but backward-looking, and is the opposite of an attachment to the status quo, with continuous adaptation to the changing environment. Thus, the Group continued its policy of cooperation and partnership, in France and elsewhere.

Since January 1st, 2011, the collaboration between Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc and Midi-Atlantique was extended, and opened to five new Federations: Centre, Normandie, Loire-Atlantique Centre-Ouest, Sud-Est Méditerranée and Dauphiné-Vivaraïs. The Crédit Mutuel branches of the ten Federations now share the same collective operating approval through their common tool, the Caisse Fédérale de Crédit Mutuel. This new form of cooperation will speed up the development of Crédit Mutuel in high-potential areas, and generate new cost synergies for the benefit of each of the partners.

Overseas, the partnership that was initiated in 2008 with the buyout of the French network of the Banco Popular Español (now CIC Iberbanco) was reinforced in 2010. A new Spanish banking establishment held equally by the two partners was set up, with a national network of 123 branches and over 500 employees. The new bank could become a player in the reconstruction of the Iberian market, which is currently undergoing sweeping changes. Crédit Mutuel-CIC also became a key shareholder of Banco Popular in 2010, with the acquisition of a 5% stake in its capital.

In Morocco, Banque Fédérative du Crédit Mutuel (BFCM) contributed to the development of BMCE Bank by reinforcing its equity, taking its stake to 25% of the capital. It will support the growth of BMCE Bank in Morocco (where 51 new branches were opened in 2010) and in Africa, with BMCE taking control of Bank of Africa. That development also relies on the IT partnership developed between BMCE and Euro Information (subsidiary of the CM5-CIC Group working in IT and technology) through a common subsidiary.

□ High-quality customer relations and leading edge technology

To serve the communities and businesses of the areas in which it operates, Crédit Mutuel greatly values the quality of its relations with member customers. Its cooperative model and its loyalty to the values of responsibility and solidarity are reflected in several opinion surveys carried out in 2010: it ranked first (jointly with its subsidiary CIC) in the Bearing Point TNS Sofres customer relations survey and was the preferred bank of French customers in the Posternak Ipsos image survey.

That quality is supported by the leading edge technology provided by Euro Information (EI) and its specialised subsidiaries to the CM5-CIC Group and the other Federations of Crédit Mutuel. The channels of interaction between the bank and its customers are many: out of the 862 million transactions processed by EI, only 52 million were initiated by counter staff. The Internet channel continues to grow (+ 16%), confirming the interest of customers for online transactions. New channels are emerging, such as smartphones, where the Group is the technological leader, distributing the banking application available on the largest range of operating systems in France.

That personalised service can also be seen in the provision of remote surveillance of homes and businesses. EPS, a group subsidiary, is the leading operator in France, with a 30% market share and over 200,000 subscribers.

Crédit Mutuel was the first bank to offer a secure Internet payment facility to merchants, the first bank in France to test contactless payment using mobile phones and to carry out contactless bank card trials; it is retaining its lead by taking part in new pilot contactless payment experiments in nine French cities, which should soon result in a new commercial solution.

All these developments rely on technical infrastructure that is growing rapidly: in three years, data storage capacity grew by 240% and computing power grew by over 70%, allowing our Group to stay head from the technological standpoint.

□ BFCM, the financial tool of the Group

In a difficult financial environment, Banque Fédérative du Crédit Mutuel (BFCM), which is the holding company of the Group, continued with its strategy of diversifying its sources of finance in 2010. The internationalisation of the refinancing platform was extended to new areas, particularly in Asia and North America. In all, medium and long-term resources worth 15.5 billion were raised during the year, of which 9.4 billion for periods longer than five years.

In order to prepare itself for the future prudential reforms in the area of liquidity, BFCM has gradually extended the duration of its resources. Eleven new bond issues were launched in 2010, under the two signatures BFCM and CM-CIC Covered Bonds, subsidiary of BFCM specialised in the issue of covered bank bonds. In 2011, the latter will aim to secure the new status of Société de Financement de l'Habitat (SFH, housing funding society), to further reinforce the appeal of its issues for investors.

Insurance, the driver of development of the network and in international markets

In 2010, the insurance companies of the Group, which are part of GACM (Groupe des Assurances du Crédit Mutuel), achieved turnover of 9.3 billion euros, up 14%, which may be compared with the overall growth of the French insurance market, only 4%. That performance allows Crédit Mutuel-CIC to maintain its place as the leading French banking and insurance company for casualty insurance and the fifth provider of life insurance. In all, GACM holds 21.9 million contracts (+ 4.3% on 2009), of which 9.7 for personal insurance, 9.4 for property insurance and 2.8 for life insurance.

Insurance is the second business of the networks of Crédit Mutuel and CIC, allowing them to offer customers and members a complete high-quality provision solution. Based on that expertise, GACM has extended its offerings in international markets, particularly in Belgium and Luxembourg with its subsidiaries Partners Assurances, ICM Life and ICM Ré, and in Spain, with RACC Seguros, in which it has a 49% holding with the Royal Automobile Club of Catalonia as its partner.

In Morocco, GACM has strengthened its ties with RMA Watanya by increasing its stake by 2%, bringing it to 22% in all.

Insurance also bears the mark of the Group, with a policy of on-going innovation. ACM was the first in France to offer novel services such as the settlement of claims by telephone or new-value cover for five year old vehicles, and has introduced new services in its range of contracts, such as five-year repair cover for household appliances under its home insurance policies, or free access to the Tranquil'Adom personal services platform.

Consolidated financial items

Under regulation EC 1606/2002 on the application of international accounting standards and regulation EC 1126/2008 adopting those standards, the consolidated accounts of the fiscal year are established in line with the IFRS standards as adopted by the European Union on December 31st, 2010.

Those IFRS standards include IAS standards 1 to 41, IFRS standards 1 to 8 and their SIC and IFRIC interpretations adopted to date. No standard that is not adopted by the European Union is applied. Summary documents are presented according to CNC recommendation 2009-R.04.

All the IAS/IFRS standards were updated on November 3rd, 2008 by regulation 1126/2008, which replaced regulation 1725/2003. The standards are available on the website of the European Commission: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm. The risk management information required under standard IFRS 7 is addressed in a special section of the annual report.

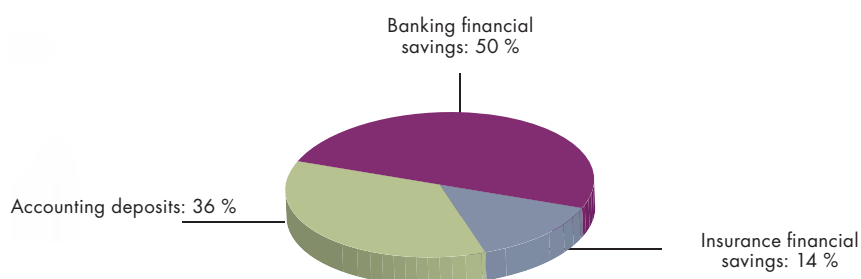
Savings receipts

As regards customer deposits, the Group has recorded 10.9% growth (up 15.9 billion euros), on the amount in 2010, reaching euros 154.5 billion¹ (against 138.6 billion on December 31st, 2009).

The customer deposits in the books include: 38.0 billion in time-deposit accounts (+ 35.7%²); passbooks (+ 7.1% as regards Livret bleu and Livret A, 12.7 billion, whereas the other passbooks are stable at 26.7 billion); 50.8 billion in current accounts (+ 5.8%³); 16.6 billion in building savings, up 7.8%².

Insurance savings recorded 8.3% growth, raising the amount from 56.7 billion euros at the end of 2009 to 61.3 billion at the end of 2010.

■ Capital managed and retained: 430.390 billion euros

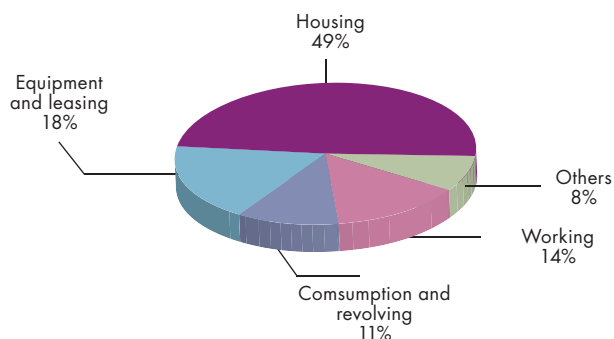


Loans: continued growth

The total value of loans to customers is up by 11.3 billion euros (+ 4.7%)², to 229.3 billion.

Housing loans stood at 115.5 billion euros (+ 7.0%) and account for half of all the loans. Equipment loans stood at 34.6 billion (+ 10.6%²) and the amount of consumer credit (stable in 2010) was 26.2 billion.

■ Customer credit (gross outstanding amounts): 236.560 billion euros



1. SFEF deposits are not taken into account in the customer deposits, even though SFEF is not a credit institution.

2. Growth on a comparable basis.

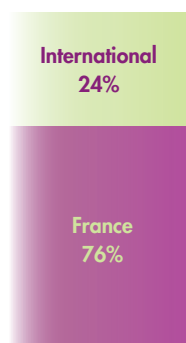
Results

The net banking income of the Group was up 3.5% ¹ at 10.9 billion euros on December 31st, 2010 against 10.1 billion in 2009. Operating costs (6.4 billion on December 31st, 2010 against 5.9 billion at the end of 2009) were up 2.5% on a like-for-like basis. The cost of risk was 1,305 million euros on December 31st, 2010 against 1,987 million in 2009 (- 38.2%) ¹. The ratio between the total cost of risk and the outstanding loan amount was down, to 0.54% (against 0.78% at the end of 2009), and the overall coverage ratio for bad debts was 66.37%. The net result in 2010 was 2,341 million euros against 1,435 million in 2009.

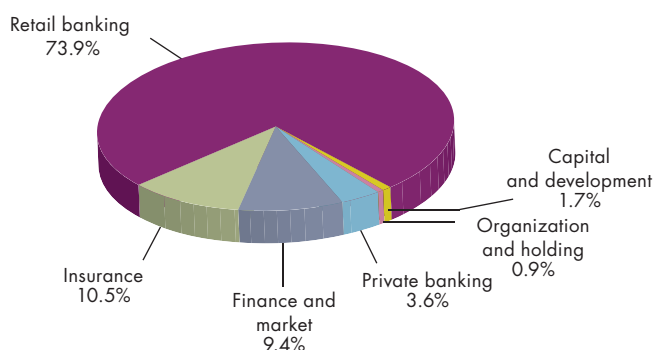
The results of the activity can be summarised through the following key figures:

(in millions of euros)	2010	2009	Growth on a comparable basis
Net banking income	10,889	10,122	+ 3.5%
General operating expenses and allowances for depreciation	- 6,356	- 5,949	+ 2.5%
Gross operating income	4,533	4,174	+ 4.9%
Consolidated net profit	2,341	1,435	+ 60.4%
<i>Group share</i>	<i>1,961</i>	<i>1,194</i>	<i>+ 62.6%</i>
<i>Share on minority subsidiaries</i>	<i>380</i>	<i>241</i>	<i>+ 50.3%</i>

■ Net banking income by geographic zone



■ Net banking income by business before reciprocal inter-business exclusions



¹. Growth on a comparable basis.

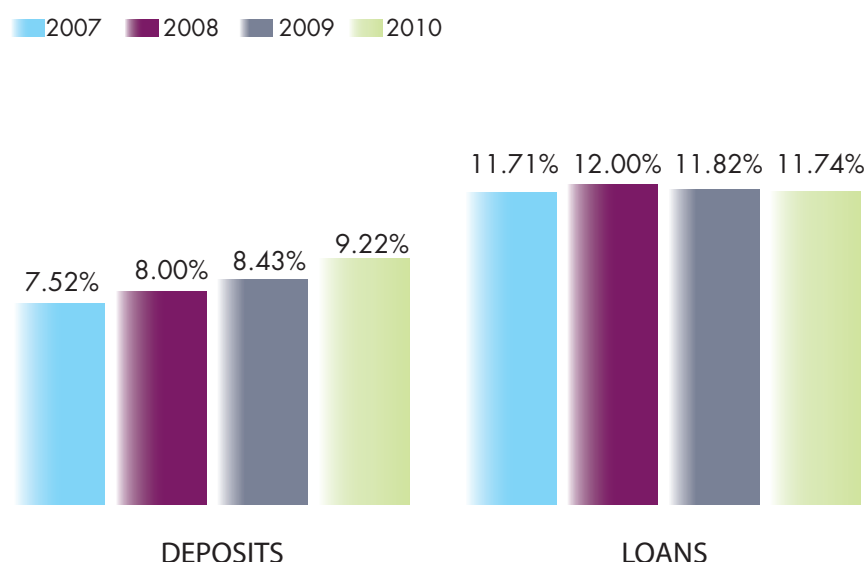
Retail banking

The loans of the banking network, 186.5 billion euros, were up 5.6%, driven by housing loans (+ 8.1%) and investment loans (+ 9.1%).

Accounting deposits were up 12.7% in one year, standing at 127.3 billion euros on December 31st, 2010. The net banking income of retail banking was 8,401 million euros against 7,661 million euros(+ 6.0%). With overheads under control (+ 2.1%)¹ at 4,890 million, the operating ratio was improved by almost 3 points, going down from 61.1% to 58.2% at the end of 2010.

The cost of risk was at 1,154 million euros and down significantly (- 30.6%)¹, and profit was 1,588 million euros against 967 million euros in 2009.

■ Market share of CM5-CIC (source CEFIT)



Insurance

Net insurance income was 1,198 million euros on December 31st, 2010 against 956 million in 2009, after remunerating the distribution network with 825 million euros (+ 10.3% on 2009). The net profit was 684 million (up 52.7% on the year before and the highest level of profit ever reached). Approximately half the 236 million of additional net profit achieved in 2010 results from the positive impact of the consequences of provision under the 2010 Budget Act of a 10% exit tax on the capitalisation reserve. The recurrent profit of the year 2010 was 564 million.

¹. Growth on a comparable basis.

Finance banking

Net banking income went from 461 million euros in 2009 to 456 million euros on December 31st, 2010. The cost of risk dropped from 158 million euros in 2009 to 35.3 million euros on December 31st, 2010, or a drop of 123 million in 2010, of which 78 million was accounted for by actual cost of risk and 45 million as collective provisions. Profit was up 56%, at 236 million euros.

Market activities

On December 31st, 2010, the net banking income was 618 million euros against 1,072 million euros in 2009, which was an exceptionally favourable year. The cost of risk in 2010 represented 4 million euros in income, against 221 million euros in expenditure in 2009. Profit was down from 458 million euros to 355 million euros.

Private banking

The main business and profit indicators confirm the satisfactory commercial performance and the relative stability of profit in 2010. Net banking revenue was up from 397 million euros in 2009 to 404 million euros on December 31st, 2010 and profit was down from 70 million euros in 2009 to 62 million euros in 2010.

Capital development

After a difficult year in 2009 for this business, net banking income was 191 million euros on December 31st, 2010 against 49 million euros in 2009 and profit was 153 million euros against 20 million euros. The amount invested was 1.4 billion euros, of which 236 million in 2010. The Group is present in close to 500 companies through a portfolio of 519 holdings representing a total of 1.6 billion euros. On January 1st, 2011, the entities engaged in this business (CIC Finance, CIC Investissement, CIC Banque de Vizille and IPO) were brought together in CM-CIC Capital Finance.

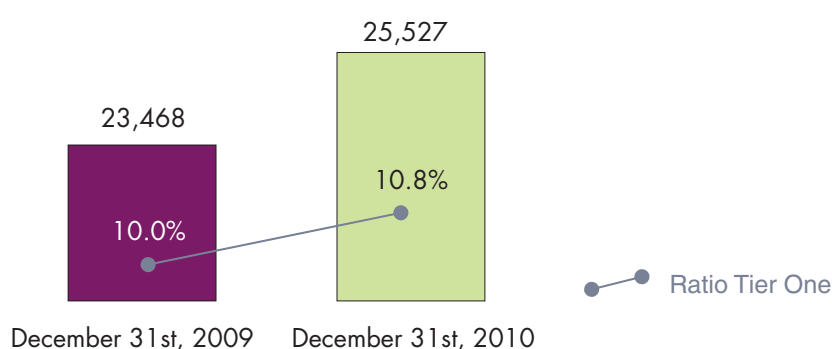
Logistics and holding

The net banking income of the logistics and holding business was 103 million euros at the end of 2010 (down 104 million on 2009), including the logistics and others business and the holding business. This sector particularly bears the cost of refinancing Group holdings. The net banking income of the logistics and others business was up 7.7% on a like-by-like basis in 2010, and chiefly included the commercial margins of IT companies and press groups and the commission of CM-CIC Services.

Confirmed financial strength

Book equity and perpetuals went from 23.5 billion euros at the end of 2009 to 25.5 billion euros before distribution on December 31st, 2010, up 2.1 billion euros. The European Tier One solvency ratio was 10.8% on December 31st, 2010 (Basel I ceiling) and 11.8% (Basel II rules with euros 19.4 billion as Tier One regulatory equity).

■ Financial Structure-Book equity and perpetuals (in millions of euros)



A responsible development model that is supported by the people in the movement

The 2010 results of the Group confirm the relevance of the direction taken by the Group, which is preferentially focussed on local banking and insurance and high quality services to customers and members. It allows the development of the local economy and helps create jobs, thus improving the infrastructure and the living environment. The networks of Crédit Mutuel and CIC also make a positive contribution to the financing of the businesses in our regions. Far from the excesses of virtual and footloose finance, this path is rooted in daily reality and relies on the individual responsibility of the people of the Group.

Thus, more than in the figures, the success of Crédit Mutuel resides in the people who make up the Group. First of all, that includes the 21 million customers and members who have placed their trust in the Group, and who are efficiently served by 58,000 employees. But it also includes 10,900 elected officials, who act as relays between members, the organization and the environment.

That unique human fabric has remained faithful to the original values of a movement that came into being more than a century ago. It is the finest asset and the greatest strength of the Group, which allows it to look to the future with greater confidence and determination.

Risks Management

This chapter includes in particular the information required by IFRS 7 on the risks relating to financial instruments.



The figures given in this chapter are audited, except those specifically marked with an *, which have been subject to honesty and compliance checks required under article L.823-10 of the Commercial Code in the same way as the rest of the management report.

Periodic and on-going checking and compliance functions provide enhanced security of processes for all business activities. Risks management consolidates overall risk control and optimises risk management related to regulatory equity capital allocated to each business activity and the resulting profitability.

Credit risks

Organization of the credit commitment function

In accordance with applicable regulations, credit commitment is organised into the two areas below:

- provision of credit;
- risk measurement, credit monitoring and management of the amount at risk.

The organization of the function and the management of credit commitments are governed by a single set of guidelines that defines the rules and practices applied by the Group.

Credit provision system

It involves ascertaining the knowledge of the customer, assessing the risk and making the commitment decision.

◆ Knowledge of customers

Customer knowledge and the targeting of prospective customers relies on the close ties that have been set up with the economic environment. Sales canvassing choices are informed by the segmentation of customers and their distribution into several risk-based categories. A credit file acts as the basis for the decision to grant a loan.

◆ Risk evaluation

Risk evaluation is based on a method using the analysis made at different stages according to a structured process. It combines with in particular:

- customer rating,
- risk categories,
- weighted commitments based on the type of products and the guarantees provided.

The personnel receive training on risk management, which is regularly updated.

◆ The customer scoring

In accordance with current legislation, customer scoring is at the heart of the commitment and risk management system: credit granting, payments, pricing and follow-up of commitments. All the delegations apply counterparty scoring.

The internal customer scoring system of the Group functions according to the following basic principles:

- uniqueness: the calculation method is the same for the entire Group,
- exhaustiveness: all the third parties identified in the system are scored,
- automated for the network: the information system automatically computes a basic monthly rating, which is

adjusted daily based on the risk alert updates to end in the final quotation;

- uniformity of the scoring system: the algorithms are the same ones for all Banks based on a segmentation of the markets, which is part of the core information of the system,
- uniformity of the reporting levels for all the market segments (9 categories of good customers and 3 categories of bad customers),
- integration of concept of risk groups.

The organization of the credit commitment activity and the management of commitments use a unique referential for commitments containing the rules and procedures common to the Group.

The follow-up of the relevance of the algorithms is carried out by management of the risks, when necessary, and by specialized teams. Generally, the Commitments department validates the internal score of all the files that it processes.

The risk groups (counterparties)

“Are considered identical beneficiaries individuals or companies that are linked in such a way that if either party had financial difficulties, the other would undoubtedly have problems with reimbursements.”

The risk groups are formed according to rules written in accordance with clause 3 of the CRB 93-05.

Weighting of products and guarantees

To rate the counterparty risk, the nominal commitment is weighted. This formula combines the type of credit and the type of guarantee.

◆ Commitment decision

It is mainly based on:

- a formalised risk analysis of the counterparty;
- rating of the counterparty or group of counterparties;
- delegation levels;
- the principle of counterchecking;
- rules for limiting authorisations on the basis of equity;
- remuneration adapted to the risk profile and equity consumption.

The decision-making circuits are managed automatically and in real time: from the time the processing of a loan application is complete, the electronic folder is transmitted to the appropriate decision-making level.

Delegation levels

Network

The account manager is in charge of the exhaustiveness, the quality and the reliability of the information collected. In accordance with clause no. 19 of the CRBF 97-02, the account manager prepares credit files that will include all the qualitative and quantitative information and assembles in one file the information concerning counterparties consi-

dered as same beneficiaries. The account manager checks the relevance of the information gathered either through the customers or through external sources (sectoral studies, annual reports, legal information, scoring agencies) or internal sources at his disposal. The rules described in the procedure on credit granting and debtor delegations are in line with the Basel II instructions and the fundamentals defined for all the banks of the Group. Each account manager is responsible for the decisions that he takes or provokes and holds an *intuitu personae* delegation.

The delegations are based on an adjustment of the commitment ceilings according to:

- the score,
- the total amount of the commitment of a counterparty or risk group,
- the delegation exclusions,
- the guarantees which can be retained for weighting of the commitment.

For files where the amount exceeds the delegations given within the above-mentioned limits, the decision must be taken by a commitment decision committee (CDE) that functions according to written operating procedures.

Financing and investment bank

Decisions are not taken individually and depend on commitment decision committees. Foreign subsidiaries function according to specific delegations.

Task of the credit commitment function

Each regional bank has its own commitments team, which reports to the senior management and is independent of operational departments. The tasks are mainly of two types, and are therefore divided into two independent teams with the following responsibilities:

- one is responsible for monitoring the relevance of the decisions to grant loans by counterchecking the application files and making sure that the remuneration for the credit is appropriate for the risk taken;
- the other is responsible for implementing the prudential monitoring process and the credit risk assessment in addition to permanent supervision measures.

The system for risk measurement, credit monitoring and managing the amount at risk

In accordance with regulatory provisions, commitments are monitored by national and regional organizations.

◆ Risk measurement

The CM5-CIC Group has different tools for an aggregated approach that is both static and dynamic, towards:

- exposure with a counterparty or group of counterparties;
- production and outstanding amounts according to criteria appropriate for the concerned business areas (rating, market, credit products, area of activity, remuneration etc.).

Each commercial unit has information tools that allow it to check compliance with the upper limits allocated to each counterparty, on a daily basis.

◆ Monitoring of commitments

Along with the other parties concerned, the commitments function contributes to formalise quarterly monitoring of the quality of credit risks for each line of business.

Its monitoring system works independently from loan provision, in addition to and in coordination with the action taken principally by first-level control, continuous control and the risk department. The aim is to detect risky situations as early as possible, on the basis of criteria defined for each customer segment, through the data processing system or through the competent operational and commitments managers.

The “high-risk” limits determined on the basis of equity under regulation CRBF 93-05 for regulatory and equity limits and the internal rating of counterparties for internal limits are monitored on the basis of the modalities (including frequencies) defined in procedures.

Overruns and account functioning anomalies are monitored by means of advanced risk detection tools (management of debtors/sensitive risks/automatic reporting for amicable collection etc.), based on both internal and external criteria, particularly the rating and functioning of accounts. These indicators are aimed at allowing the identification and management of accounts as early as possible. Such detection is automated, systematic and comprehensive.

Permanent control of commitments

Personnel with special expertise who do not report to the credit policy management carry out a second level of control. They draw up a list every month of the commitments that are considered at risk, according to specific criteria, and they analyse them; appropriate corrective steps are decided accordingly.

An automatic analysis of about twenty ratios also helps to identify the agencies having difficulties with debt and to quickly determine the necessary regulating actions.

Additional security is thus brought to the management of credit risks.

Transition to default and provisioning

All accounts outstanding are subject to an automated monthly check against internal or external indicators that are programmed into the information system. In addition to

the automated and thorough process, the different players use all the source material at their disposal to identify the accounts outstanding to be placed "under surveillance".

The down rating and provisioning are automatic. In addition, a review is carried out according to portfolio type to detect any eventual loss events, which are a source of collective depreciation.

◆ **Management of accounts at risk**

Detection of accounts at risk

The practice consists in thoroughly identifying debts to be put "under surveillance", and then classifying them into the appropriate category: sensitive (not down-rated), low-rated or collection. All debts undergo an automated monthly check using internal or external indicators that are programmed into the information system. Down-rating is automated, in accordance with applicable regulatory criteria.

Transfer to default, provisioning or return to soundness

Transfer to default, provisioning or return to soundness is based on applicable prudential rules and is automated at a monthly frequency, for a thorough process.

Management of customers down-rated to bad debt, collection status

The related counterparties are handled in a differentiated manner according to the severity of the situation: at the agency by the account manager or by dedicated teams specialized by market, type of counterparty or type of recovery.

◆ **Reporting**

The risk committee

In accordance with the dispositions of the CRBF 97-02 regulations, the different decision-making bodies, particularly the risk committee, are informed of the evolution of credit 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.

General management Information

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 issues at stake in terms of risk for the CIC Group, in accordance with the regulations.

Key figures

Figures on the credit risks (balance sheet and off-balance)

◆ Exposure

In millions of euros, capital end of month	December 31st, 2010	December 31st, 2010 like-for-like ¹	December 31st, 2009
Loans and receivables			
Credit institutions	38,720	38,692	38,335
Customers	235,620	234,603	223,799
Gross exposure	274,340	273,294	262,134
Impairment provisions			
Credit institutions	- 350	- 350	- 520
Customers	- 7,256	- 7,252	- 6,624
Net exposure	266,734	265,693	254,990

Source: Accounting, excluding repurchase agreements. 1. Excluding Banco Popular Hipotecario (BPH).

◆ Exposure on given commitments

In millions of euros, capital end of month	December 31st, 2010	December 31st, 2010 like-for-like ¹	December 31st, 2009
Financing commitments given			
Credit institutions	1,721	1,721	1,473
Customers	49,014	48,887	43,860
Guarantee commitments given			
Credit institutions	5,063	5,063	4,200
Customers	10,765	10,699	13,917
Provision for contingencies on commitments	138	138	147

Source: Accounting, excluding repurchase agreements. 1. Excluding Banco Popular Hipotecario (BPH).

Credit to customers

◆ Outstanding amount

Total loans to customers were 235.6 billion euros, up 4.8% ¹ on 2009, essentially in medium and long-term loans

(7.6% increase in medium or long-term balance sheet outstanding amounts). The year 2010 was also marked by a decrease in the cost of risk.

¹. Like-for-like

◆ **Balance sheet outstanding amounts**

In millions of euros, capital end of month	December 31st, 2010	December 31st, 2010 like-for-like ¹	December 31st, 2009
Short term loans	58,140	57,871	59,245
Current accounts-debit balances	6,942	6,942	6,927
Commercial loans	4,326	4,262	3,964
Treasury facilities	46,582	46,378	48,134
Export credits	289	289	221
Medium- and long-term loans	166,036	165,299	153,538
Equipment loans	34,484	34,484	31,004
Home loans	115,258	114,600	107,040
Finance leases	7,961	7,915	7,309
Other	8,332	8,299	8,185
Total customer gross loans, excluding non-performing loans and accrued income	224,176	223,170	212,784
Non-performing loans	10,933	10,925	10,509
Accrued income	512	508	506
Total customer gross loans	235,620	234,603	223,799

Source: Accounting, excluding repurchase agreements. 1. Excluding Banco Popular Hipotecario (BPH).

At the end of 2010, the overall amount outstanding takes account of consolidation by proportional integration of the Banco Popular Hipotecario (BPH) group. For that unit,

the amount at the end of 2010 may be broken down as follows:

In millions of euros, capital end of month	December 31st, 2010 first-time consolidation	Relative weight December 31st, 2010
Short term loans	269	26.7%
Current accounts in debit	0	0.0%
Commercial loans	65	6.4%
Short-term credit facilities	204	20.3%
Medium and long-term loans	737	73.3%
Equipment loans	0	0.0%
Home loans	658	65.4%
Lease financing	46	4.6%
Other	33	3.3%
Total gross loans to customers, excluding non-performing loans and accrued income	1,006	100%
Non-performing loans	8	
Accrued income	3	
Total gross loans to customers	1,017	
Impairment provisions	4	

Unless specifically stated, the comments, outstanding amounts and analyses below (except points b and g) do not include the items of Targobank Germany, the Cofidis group or BPH.

◆ Portfolio quality

The customers have good ratings: on the internal rating scale with 12 levels, customers in the 8 best rating categories account for 96.8% of the balance sheet outstanding amount as regards private persons, 90.2% as regards professionals, 91.9% as regards companies and 95% as regards financial banking.

◆ Performing loans to customers by internal rating

	December 31st, 2010	December 31st, 2009
A + and A -	32.0%	31.5%
B + and B -	31.6%	31.4%
C + and C -	23.6%	22.7%
D + and D -	10.3%	11.3%
E +	2.5%	3.1%

Source: Risk Management (excluding foreign branches and private banking)

Internal score CM-CIC	Correspondance Moody's	Correspondance Standard & Poors
A +	AAA at Aa1	AAA at AA +
A -	Aa2 at Aa3	AA at A -
B +	A1 at A2	A + at A
B -	A3 at Baa1	A - at BBB +
C +	Baa2	BBB
C -	Baa3	BBB -
D +	Ba1 at Ba2	BB + at BB
D -	Ba3 at B1	BB - at B +
E +	B2 and <	B and <

◆ Housing loans

In the fiscal year, the outstanding amount of housing loans increased by 8.9% and accounted for 40% of the total gross balance sheet customer loans. That amount is

distributed over a very large number of customers by its nature, and is backed by actual property security or high-quality guarantees.

In millions of euros, capital end of month	December 31st, 2010	December 31st, 2009
Home loans	115,258	107,040
Secured by Crédit Logement or Cautionnement Mutuel Habitat	42,667	37,253
Secured by mortgage or equivalent, low-risk guarantee	58,916	55,617
Other guarantees ¹	13,675	14,170

Source: Accounting. 1. Other risk-level mortgages, pledges, etc., including new acquisitions.

◆ Loans by customer type

	December 31st, 2010	December 31st, 2009
Retail	76%	74%
Corporates	18%	18%
Large corporates	4%	5%
Specialized financing and other	2%	2%

The breakdown of credits by type of customer draws on data from all French entities in the BECM Group situated on the French territory.

◆ Customer credit risk by geographic region

	December 31st, 2010	December 31st, 2009
France	89%	85%
Europe excluding France	9%	14%
Others countries	1%	2%

Source: Accounting – including new acquisitions.

98% of the country risks listed are in the Europe zone.

With a few marginal exceptions, the exposure of the country risk portfolio relates to France and OECD countries.

◆ Concentration risk

On December 31st, 2010, the ten largest customer loans accounted for less than 6% of on and off balance sheet commitments of the CM5-CIC Group (12.4 billion euros, or 4.1%).

◆ Concentration of customer risks

	December 31st, 2010	December 31st, 2009
Gross commitments in excess of 300 million euros		
Number of counterparty groups	36	31
Total weighted commitments in million euros	25,801	18,329
<i>Of which total statement of financial position in million euros</i>	10,569	9,630
<i>Guarantee and financing commitments in million euros</i>	15,232	8,699
Total assets (current accounts, securities) in million euros	9,940	6,920
Gross commitments in excess of 100 million euros		
Number of counterparty groups	134	119
Total weighted commitments in million euros	41,812	33,261
<i>Of which total statement of financial position in million euros</i>	18,260	17,878
<i>Guarantee and financing commitments in million euros</i>	23,552	15,383
Total assets (current accounts, securities) in million euros	16,897	11,256

Source: SRC monthly table - Large Corporates. Scope: the BFCM Group.

◆ Sector-based distribution ¹

	December 31st, 2010	December 31st, 2009
Real estate	20.86%	18.83%
Financial and insurance services	18.90%	28.92%
Car and motorcycle repairs	11.78%	10.31%
Manufacturing	9.23%	9.43%
Construction	8.46%	7.39%
Professional, scientific and technical activities	8.11%	7.01%
Human health and social services	4.52%	1.49%
Accommodation and food services	2.86%	2.39%
Transportation and warehousing	2.48%	2.25%
Agriculture, forestry and fishing	2.47%	1.87%
Public administration	2.25%	2.43%
Administrative and support services	1.95%	1.98%
Information and communication	1.46%	1.89%
Gas and electricity production and distribution	1.16%	0.00%
Other activities of services	1.00%	0.00%
Sub-total	97.49%	96.19%
NACE codes (first level) < 1% of total NACE	2.51%	3.80%
Sous-total NACE	100%	99.99%

Source: Risk Management.

1. Categories are based on INSEE segmentation of NACE codes.

◆ Amount at risk and cost of risk

Bad and disputed loans stood at 10,933 million euros on December 31st, 2010 against 10,509 million euros on December 31st, 2009, representing a rise of 4% on a like-for-like basis.

They accounted for 4.6% of balance sheet customer loans against 4.7% on December 31st, 2009.

On December 31st, 2010, the cost of established customer risk represented 0.539% of the gross outstanding amount of customer loans, against 0.703% on December 31st, 2009.

◆ Quality of customer risk

In millions of euros, capital end of month	December 31st, 2010 ¹	December 31st, 2010 like-for-like	December 31st, 2009
Individually impaired receivables	10,933	10,925	10,509
Provision for individually impaired receivables	6,849	6,848	6,226
Provision for collectively impaired receivables	407	404	397
Coverage ratio	66.4%	66.4%	63.0%
Coverage ratio (provision for individual impairments only)	62.6%	62.7%	59.2%

Source: Accounting. 1. Including Targobank, the Cofidis Group and BPH.

Past due customer loans outstanding

2010	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments ¹	0	0	0	0	0
Loans and receivables	3,984,275	33,757	3,547	1,452	4,023,031
Governments	5,360	0	0	0	5,360
Credit institutions	12,436	0	0	0	12,436
Non-financial institutions	11,108	0	0	0	11,108
Large corporates	448,467	4,960	776	0	454,203
Retail customers	3,506,904	28,797	2,771	1,452	3,539,924
Total	3,984,275	33,757	3,547	1,452	4,023,031

1. Available-for-sale or held-to-maturity debt securities.

2009	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments ¹	0	0	0	0	0
Loans and receivables	4,450,677	32,111	855	683	4,484,326
Governments	3,587	0	0	0	3,587
Credit institutions	16,891	0	0	0	16,891
Non-financial institutions	1,253	0	0	0	1,253
Large corporates	502,874	991	0	0	503,865
Retail customers	3,926,072	31,120	855	683	3,958,730
Total	4,450,677	32,111	855	683	4,484,326

1. Available-for-sale or held-to-maturity debt securities.

◆ Interbanking loans ¹

Interbank loans by geographic region

	December 31st, 2010	December 31st, 2009
France	28.5%	18.4%
Europe excluding France	35.9%	44.3%
Other countries	35.6%	37.3%

Source: IFC, banks only, excluding Targobank and the Cofidis Group.

1. Figures not audited by the statutory auditors.

The distribution is based on the country of the parent company.

At the end of 2010, exposure was mostly in European banks (particularly France, Germany and the United Kingdom). The reduction of exposure in the most sensitive European banking systems continued. Exposure in other countries mainly related to large North-American banks.

Structure of outstanding interbank loans by internal rating

Internal score	External rating	December 31st, 2010	December 31st, 2009
A +	AAA/AA +	0.6%	1.5%
A -	AA/AA -	28.5%	5.5%
B +	A +/A	43.7%	45.9%
B -	A -	6.3%	24.4%
C and below	BBB + and below	19.5%	21.5%
Not rated		1.4%	1.2%

Source: IFC, banks only, excluding Targobank and the Cofidis Group.

The structure of the inter-bank exposure of the BFCM Group by internal rating changed noticeably in 2010, with a large increase of amounts rated A - (external equivalent AA/AA -) and a decrease in amounts rated B - (external equivalent A -) or below. That is directly related to the raising of the ratings of several large OECD banks following the recovery or stabilisation of their fundamentals. Nearly 79% of the amounts have B or A ratings, i.e. at least A - in the external equivalent, against 77% in the previous year.

◆ Sovereign risks

On December 31st, 2010, the exposure to sovereign risks included the following net risks: Italy (5.8 billion euros),

Greece (0.6 billion euros), Portugal (0.4 billion euros), Spain (0.3 billion euros), Ireland (0.1 billion euros).

Organization of the activity

Security holdings are under the responsibility of market activities and marginally under balance management.

In millions of euros, capital end of month	December 31st, 2010	December 31st, 2009
	Book value	Book value
Government securities	16,769	20,290
Bonds	80,077	76,847
Derivative instruments	2,656	5,072
Repurchase agreements and securities lending	11,131	16,671
Gross exposure	110,633	118,880
Provisions for impairment of securities ¹	- 102	- 92
Net exposure	110,530	118,788

Source: Accounting. 1. including Targobank and the Cofidis Group.

Risks of balance sheet management

◆ Organization of the activity

The CM5-CIC Group has initiated the gradual centralisation of its balance sheet management functions, which were subject to supervised decentralisation till now.

The decision-making committees for liquidity and rate risk management are as follows:

- the technical ALM committee, which intervenes on the basis of the risk limits applicable in the Group. It is made up of the managers of the relevant areas (financial department, balance sheet management, refinancing and cash flow, risks) and it meets at least every quarter. The indicators that are reviewed, on the consolidated level and by business unit, are static and dynamic liquidity gaps, static rate gaps and sensitivities of the net banking income and net current value;
- the ALM monitoring committee, which includes Group managers, which examines the changes in balance sheet management risks and approves risk limits.

Hedging decisions are aimed at maintaining the risk indicators within the set limits, overall for CM5-CIC and in each business unit that makes up the Group. Hedges are assigned to affected business units, based on their needs.

The different balance sheet management risk indicators are also presented every quarter to the Group risks committee.

Balance sheet management:

- is identified as a distinct function from the trading room and has its own resources;
- its priority objective is firstly to make commercial margins immune to interest and exchange rate variations and secondly to maintain a liquidity level that will enable the bank to meet its obligations and protect it from a possible liquidity crisis;
- it is not a profit centre but a function that serves the profitability and the development strategy of the bank, to help it control the liquidity and rate risk relating to the activity of the network;
- it participates in defining the commercial policy as regards customer conditions and internal transfer rate rules; it provides a permanent link with the salespeople of the network.

“Group agreements” for risk management and limits are listed in “Group balance sheet management guidelines” that are harmonised within the Crédit Mutuel-CIC Group.

◆ Managing the risk on interest rates¹

Rate risk is generated by the Group’s commercial activity and results in rate and reference index differences

between source and application of funds. Its analysis also considers the volatility of outstanding debts for products without contractual due date and hidden options (options for premature credit repayment, extension, use of credit rights, etc.).

Management of rates risk of all operations arising from Group activities is analysed and the residual balance sheet position is hedged overall by operations called macro-hedging.

Operations with a high value or special structure can be covered by specific hedging. Risk limits are set in relation to the annual bank operating profit for each bank and for the Group.

The technical committee decides the hedging to be implemented and spreads it prorata based on the needs of each business unit.

Rate risk analysis is applied to the following indicators, updated every quarter:

- the fixed rate static gap for balance sheet and off-balance sheet items, for which flows are considered certain over a time span of 1 to 10 years, enclosed by limits of 3 to 7 years, measured using a ratio on the bank operating profit;
- static “inflation” gap over a time span of 1 to 10 years;
- the sensitivity of net interest margin calculated for national scenarios and enclosed within limits. It is measured in annual steps, over a span of two years and is expressed as a percentage of the bank operating profit for each business unit.

Four scenarios are calculated:

- scenario 1 (reference scenario): 1% increase in market rates and 0.33% inflation;
- scenario 2: 1% increase in market rates and inflation stability;
- scenario 3: 2% increase in market rates and 0.66% inflation;
- scenario 4 (stress): 3% increase in market rates, 1% fall in long rates and inflation stability.

In the reference scenario, net interest profit of the commercial bank for CM5-CIC Group is exposed to a lowering of rates: - 2.0% over 1 year (or - 127.6 million euros in absolute value). At 2 years, sensitivity to the fall in rates is established at - 2.7% (or - 178.0 million euros in absolute value). At December 31st, 2010, the fixed floor at inflation + 0.25% for the authorities to determine the savings rate is reached (inflation at 0.80%). The floor remains reached if rates increase by 1% and inflation by 0.33%. Also the savings rate only varies in this scenario by 0.33% instead of the normal 0.67%, hence the increased sensitivity to a drop in rates.

¹. Figures not audited by the statutory auditors.

Indicators of rate increase:

Sensitivity of net banking income	1 year	2 years
Scenario 1	2.0%	2.7%
Scenario 2	2.9%	4.0%
Scenario 3	3.8%	5.2%
Scenario 4	2.6%	- 0.8%

The sensitivity of net current value that results from applying the standard Basel II indicator calculation. A uniform assurance of 200 base points applied to the entire balance sheet, for increases and decreases, enables the variation in discounted value of balance sheet entries to be measured as a percentage of capital equity for the different scenarios.

Sensitivity of the net current value of the CM5-CIC Group	As a % of equity
Sensitivity + 200 basis points	- 2.6%
Sensitivity - 200 basis points	+ 9.0%

◆ Management of liquidity risk

The CM5-CIC Group attaches a lot of importance to the management of liquidity risk. The steering tools used for

the management of liquidity risk for the CM5-CIC Group in close collaboration with BFCM, which takes charge of the long-term refunding of the Group, focus on different directions:

- the adherence to the cash ratio at one month, which is representative of the short-term liquidity situation of the Group;
- determining the liquidity gap that is based on contractual and conventional commitments, including off balance sheet commitments. Transformation ratios are calculated (supply/demand) on maturities from 3 months to 7 years and they are subject to limits in order to secure and optimize the refinancing policy;
- the dynamic liquidity gap formula over five years includes elements from new production, to take account of future funding needs for the development of sales activity;
- the analysis of a stress scenario on the static liquidity gap and the alteration ratios, characterized by a drop of 30% of short-term funds and increase in confirmed credit;
- the ALM technical committee decides the liquidity hedging operations to be put in place in respect of all indicators. The distributions are prorated on the basis of the total needs.

◆ **Statement of financial position items by residual maturity of future contractual cash flows (principal and interest)**

2010 – Residual contractual maturities

In millions of euros	≤ 1 month ¹	> 1 month ≤ 3 months	> 3 months ≤ 1 year
Assets			
Trading financial assets	660	690	3,223
Financial assets at fair value through profit or loss	3,914	3,076	1,488
Derivative instruments used for hedging purposes (assets)	10	4	8
Available-for-sale financial assets	620	428	1,862
Loans and receivables (including finance leases)	38,040	10,015	18,261
Held-to-maturity investments	7	43	30
Other assets	616	11,868	2,045
Liabilities			
Central banks deposits	11	7	24
Trading financial liabilities	636	119	1,111
Financial liabilities at fair value through profit or loss	9,919	7,999	7,168
Derivative instruments used for hedging purposes (liabilities)	24	8	578
Financial liabilities carried at amortized cost	142,013	41,171	33,630

Excluding insurance activities.

1. Includes accrued interest 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.

> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity ²	Total
3,193	4,543	4,935	1,172	18,416
57	1,368	36	679	10,617
17	58	31	8	135
3,773	10,682	8,621	3,612	29,598
25,128	54,874	120,737	2,331	269,385
27	268	623	0	998
13	37	13	517	15,110
2	0	0	0	44
693	2,870	1,878	4	7,312
0	0	0	0	25,086
173	743	913	633	3,073
21,684	32,324	22,962	3,709	297,492

2009 – Residual contractual maturities

In millions of euros	≤ 1 month ¹	> 1 month ≤ 3 months	> 3 months ≤ 1 year
Assets			
Trading financial assets	2,783	1,051	3,642
Financial assets at fair value through profit or loss	7,854	5,150	2,185
Derivative instruments used for hedging purposes (assets)	12	1	546
Available-for-sale financial assets	824	576	2,985
Loans and receivables (including finance leases)	35,344	11,090	20,222
Held-to-maturity investments	1	0	600
Other assets	807	11,020	3,031
Liabilities			
Central banks deposits	260	0	1,004
Trading financial liabilities	801	212	1,301
Financial liabilities at fair value through profit or loss	15,870	14,293	7,892
Derivative instruments used for hedging purposes - liabilities)	8	9	1,600
Financial liabilities carried at amortized cost	126,139	42,104	40,416

Excluding insurance activities

1. Includes accrued interest 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.

◆ Exchange rate risks

Exchange rate positions are automatically centralised in the CIC holding organization and BFCM.

Such centralisation is carried out on a daily basis for commercial transfer operations and for receipts and payments of foreign exchange income and expenditure.

Unrealised gains/losses in foreign exchange are converted into euros at the end of each month and the resulting foreign exchange position is also centralised in the holding organization.

Thus, with the exception of some capital and long-term investment operations in foreign exchange, no business unit of the Group bears a foreign exchange risk on its

own. The holding organization takes charge of closing the foreign exchange positions in the market, every day and on a monthly basis.

Only the activities of CM-CIC Marchés have their own exchange rate position limit, which is managed by it.

Structural exchange rate positions that result from foreign currency allowances to foreign branches are not covered.

Exchange rate gains/losses are posted in conversion accounts, under assets or liabilities, and are thus not reported in the profit and loss account.

The profits of foreign branches are left in the branches and are thus totalled with the structural exchange rate position.

> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity ²	Total
3,363	5,557	5,941	323	22,660
33	1,436	61	699	17,418
14	43	30	1,017	1,663
2,871	12,149	10,078	2,105	31,590
24,592	54,459	107,546	3,311	256,564
77	292	622	0	1,592
8	360	93	687	16,005
0	0	0	0	1,265
932	2,722	3,809	9	9,786
0	0	0	0	38,055
79	1,829	237	1,007	4,769
17,133	34,230	17,304	9,022	286,348

◆ Risks on shares

Risks on shares for the CM5-CIC Group are of different types.

Assets in just value by profit

The share portfolio held for the basis of transactions, were at 1,171 million euros on December 31st, 2010 against 2,241 million euros on December 31st, 2009 and concerning only the market activities of the CIC (see note 5a of appendix to consolidated financial reports).

The shares recorded in just value by profit on option concerned:

- 1,807 million euros in shares at fair value on option, which 1,747 million euros for the capital-development activity (see note 5a of appendix to consolidated financial reports) ;
- 8,701 million euros of shares detained by the pole insurance GACM (to see note annexes 1.3.4. in the strengthened accounts), within the framework of contracts in unit of account of the activities of insurance by coherence with the treatment applying to the liabilities.

Assets available on the sale

The outstanding discounted bills of the shares classified in assets available on the sale and in immobilized securities were respectively situated in 6,267 million euros and 2,741 million euros (see note 7 of the appendix in the strengthened financial status).

The long-term investments include in particular

- Equity interest for 1,648 million euros and investments in affiliated companies for 694 million euros: the main shares included in these categories are shares held in the Banca Di Legnano for 80 million euros shares in Foncières des Régions for 292 million euros and shares in the CRH (Caisse de Refinancement de l'Habitat) for 35 million euros.
- The other long-term shares for 399 million euros: in particular in shares in Veolia Environnement for 372 million euros.

Diminution in value of shares

Shares are reviewed to identify any diminution in value that has been observed as regards listed shares in the event of significant or prolonged drops below cost.

Diminutions in value recognised in the result stood at 46 million euros in 2010, against 45 million euros in 2009.

On December 31st, 2010, the purchase value of shares with diminished value was 5,087 million euros and the corresponding diminution in value was 1,834 million euros.

Their market value was 3,253 million euros.

◆ Capital-development

The activity is managed through entities solely dedicated to this trade with an entirely re-valued portfolio in fair value per option.

The investments are spread over about 500 lines and concern mainly medium and small businesses.

◆ Private equity business line risk

	December 31st, 2010	December 31st, 2009
Number of listed investment lines	67	77
Number of unlisted, active investment lines	449	436
Re-evaluated portfolio for own accounts	1,638	1,641
Managed funds	723	704
Number of managed funds	32	38

Market operations risks

◆ General organization

CM-CIC Marchés brings together the market activities of BFCM and CIC in France and those of the branches of Frankfurt (BFCM), London, New York and Singapore (CIC).

They are organised around three business areas: refinancing (operations that are mostly recorded in the balance sheet of BFCM), commercial and proprietary (recorded in the balance sheet of CIC).

Refinancing

A team dedicated to cash management is responsible for refinancing the activities of retail banking and the subsidiaries, corporate and specialised financing, and the proprietary account of CM-CIC Marchés. It pursues a policy of diversification of its investor base in Paris, Frankfurt and London, and of refinancing tools, including CM-CIC Covered Bonds.

The products handled are mainly monetary instruments and fixed exchange rate hedging instruments.

In addition to strict refinancing positions, this line also includes an AFS (Available For Sale) liquidity portfolio, which is essentially made up of bonds issued by financial institutions with high quality ratings (at least investment grade).

Sales

The sales teams operating from Paris or within regional banks use a unified range of tools and products. A dedicated technical unit (conception/matching/reversal: CAR) has been put in place with the aim of finding the best prices, preserving sales margins and reversing exchange rate and interest rate positions.

The activity also relates to the sale of investment products such as Libre Arbitre or Stork (own account sales), which are intended for the companies of the different Crédit Mutuel-CIC networks and for customers who are private persons.

Proprietary operations

The business is organised into four teams: equity/hybrid instruments, credit (spread), rates and volatility. These are required to create value as part of a controlled risk environment and must drive commercial development.

◆ Control organization

In 2010, the control function continued its efforts to improve its organization and monitoring methodologies. It modified its procedures to take account of a unified limits system integrating the market activities of the branches, present VAR risk measurement/stress testing in addition to regulatory risk measurement (CAD and RES under Basel II standards), and track alerts by speciality and activity.

All the methodologies are referenced in a "book of rules". Updates integrate new products and perfect the tracking of risk measurement regularly throughout the year.

The market activities of CIC are supported by the following organization:

- they are supervised by a member of the board of directors, who reports to the board of directors of CIC and the board of directors of BFCM;
- the units engaging in operations (front office) are separated from those responsible for monitoring risks and results (control) and those that are in charge of approvals, settlement and accounting entries (back office);
- the control bodies are supervised by the group risks department, which prepares indicators with summaries of risk exposures and causes the approval of the allocated/consumed equity levels by the board of directors of CIC and that of BFCM;
- the continuous control system is supported by first-level control that is carried out by three control teams:
 - result risks (CRR), which approves production, tracks results on a daily basis and makes sure the limits are applied,
 - accounting and regulatory controls (CCR), which reconciles accounting and economic results and regulatory and operational risk control aspects,
 - CM-CIC Marchés legal team, which is responsible for first-level legal issues;
- second-level control is carried out by:
 - continuous monitoring of market businesses (CPMM), which is part of the continuous control of businesses (CPM), and supervises the first-level continuous control exercised by CM-CIC Marchés and carries out its own direct control of activities,
 - the CIC credit policy department, which track the risk amounts by counterparty group,
 - the CIC legal and tax department, which works along with the legal team of CM-CIC Marchés,
 - the CIC finance department, which supervises accounting principles, the chart of accounts and accounting and regulatory controls;
- periodic control of the trades of the CM5-CIC Group, which is carried out by a specialised team of inspectors responsible for periodic control and the compliance of market activities.

A market risks committee (CRM) meets every month and is responsible for tracking the strategy, results and risks of CM-CIC Marchés (in France and in the branches) within the limits set by the board of directors of CIC and that of BFCM.

It is chaired by the director of CM-CIC Marchés, and includes the vice-chairman of the board of CIC, front office, post-market and back office managers, managers of CCR, CRR control, the risks department and group CPM.

◆ Risk management¹

The market risk limits system is supported by:

- an overall regulatory equity limit (CAD/RES) and VAR limit;
- internal rules and scenarios (CAD risks, VAR history and stress tests) that can convert exposures into potential losses.

The limits cover the different types of market risk (interest rate, exchange rate, shares and signature risks) are divided into sub-limits by type of risk for each of the areas of activity.

Risks are tracked by means of first-level indicators (sensitivity to different market risk factors), mainly intended for operators, and second-level indicators (potential losses), which provide a more overall view and are directly accessible to the decision-making bodies.

The equity allocated to own account businesses and sales in metropolitan France was reduced by 14% in 2010, as planned in 2009.

The consumption of equity by the RMBS activity carried out in the New York branch decreased along with the amortisation of securities in the run-off portfolio. Trading activities are maintained within reduced limits under the supervision of CM-CIC Marchés.

The daily cash position of CM-CIC Marchés may not exceed a limit with an intermediate alert level, defined by the management and approved by the Board of Directors. The refinancing period of the assets in the portfolio is also subject to monitoring and limits.

The main front office risks concern the following activities:

- Refinancing: BFCM market risks are calculated on a regulatory basis on the basis of CAD and RES and are generated by the possibility of exposure to the rate risk, and by the credit risk of the liquidity portfolio. During 2010, equity consumption moved down overall from 149.5 million euros to 99 million euros. That variation was mainly due to RES, as CAD for the general rate risk remained below 10 million euros. The lower RES is due to the improved ratings of the counterparties and the maturity date of the operations of the banking portfolio during the first half of the year.
- Hybrids: starting at 100 million euros in January, the CAD risk consumption ended the year at 75 million euros

because of the regular drop in outstanding amounts over the period, made sharper by the reduction of banking portfolio positions. The stock of convertible bonds reached 2.8 billion euros at the end of 2010 (3 billion euros in 2009).

- Credit: the positions are either securities/CDS arbitrages, or credit correlation positions (ItraXX/CDX tranches) or ABS positions. CAD consumption remained stable around 24 million euros in the credit arbitrage portfolio during the first half of the year, before dropping to 17 million euros in December. The decrease in the credit risk (RES) reflects exits from some AFS positions. Thus, RES decreased to 19.5 million euros. The ABS portfolio followed the same trend, with CAD risk consumption around 49 million euros during the first half of the year, followed by a drop to 38 million euros at the end of the year. In respect of the credit correlation activity, based exclusively on ItraXX/CDX tranches, the risk fluctuated slightly, and CAD rose from 10 million euros at the start of the year to 14 million euros in December.

- M&A and miscellaneous action: CAD consumption for action risks was 32 million euros at the end of 2010. The M&A amount outstanding was 283 million euros at the end of December, against 271 million in 2009.

- Fixed income: the positions consist in curve arbitrages, most often with securities vehicles, essentially of European states. Other arbitrages between OECD state securities with the same maturity but different issuers or the same issuer but different maturities must also be noted. CAD consumption at the end of 2010 was 51 million euros. The amount outstanding of state securities was 9.5 billion euros at the end of 2010, against 12.6 billion euros in 2009.

◆ Credit derivatives

Products are used in the Group by CM-CIC Markets and accounted in its negotiation portfolio.

The front office respects on its end risk limits per issuer/counterparty on all supports. The outstanding is monitored daily and restricted by limits that are reviewed periodically by the authorities designated to this effect (credit policy committees, market risks committees).

1. Figures not audited by the auditors.

Current ratio (Bâle II) *

In accordance with article 4.1 of CRBF regulation 2000-03, the following subsidiaries are exempted from individual or sub-consolidated surveillance: BFCM, Sofémo, BCMI, CM-CIC Covered Bonds and CIC Iberbanco. The other regulated units are subject to individual or sub-consolidated surveillance.

Since January 1st, 1996, market risks, mainly concerning interest rates, exchange rates, on shares and settlements/counterparties on trading portfolios of banks are submitted to specific requirements concerning equity, in application of European directives on capital adequacy (CAD).

The global requirement on equity is therefore equal to the sum of the equity required for credit risks on the entire weighted risks, for market risks on trading portfolio, and for major risks.

The Group estimates the equity requirement in adequacy with markets risks using the standard statutory model.

The required capital is equal to 8% of net weighted risks.

Since January 1st, 2008, the CM5-CIC Group is subject to the use of the current ratio as defined in the ministerial order of February 20th, 2007 (Basel II).

To this effect, the weighted risks must be at least equal to 80% of the calculated risks according to the CRBF 91-05 and 95-02 regulations (Basel I).

The overall solvency ratio must be greater than 8%. The regulatory ratios applicable to the Group were complied with on December 31st, 2010.

◆ Consolidated European Current Ratio of the CM5-CIC Group in December 31st, 2010

In millions of euros	December 31st, 2010	December 31st, 2009
Total regulatory capital	19,406.8	17,329.5
Tier 1 capital	19,340.4	17,915.0
Tier 2 capital	4,737.0	3,600.0
Temporary deductions from tier 1 capital	0.0	- 585.5
Temporary deductions from tier 2 capital	- 4,670.6	- 3,600.0
Tier 3 capital	0.0	0.0
Credit risk capital requirement	11,655.0	12,183.6
Weighted credit risk	145,687.3	152,294.5
– Central governments and central banks	146.5	220.2
– Institutions	8,177.1	9,598.1
– Corporates	71,167.7	72,629.5
– Retail customers	39,247.1	40,129.7
– Equities	8,206.9	8,333.2
– Other assets	18,742.0	21,383.8
Market risk capital requirement	346.6	322.4
Operational risk capital requirement	1,181.4	1,154.5
Floor capital requirement	1,209.2	241.9
Overall solvency ratio	10.8%	10.0%
(Including floor capital requirement)		
Tier 1 ratio	10.8%	10.0%

Capital requirement = risk-weighted assets x 8%

Operational risks *

◆ Figures not commissioned

Under the prudential regulations of Basel II, the Crédit Mutuel-CIC Group has implemented a complete system for the management of operational risks, under the responsibility of the managing authorities, with a unique risk referential and common quantitative evaluation method.

The Group has an overall operational risk management department that is clearly identified and distributed in practice between the national department and the regional departments. That overall department covers operational risks, business continuity plans and insurance covering those risks.

The system for the measurement and supervision of operational risk relies on a basis common to the whole of the CM-CIC Group, and on an approach for the identification and modeling of risk resulting in the calculation of the final requirement for capital allocated to the coverage of risk.

Since January 1st, 2010, the Crédit Mutuel-CIC Group has permission to use its advanced measurement approach to calculate regulatory equity requirements as regards operational risks, with the exception of the deduction of expected losses from its equity requirements and the inclusion of insurance in the consolidated scope away from the foreign subsidiaries of the Group, Factocic and Cofidis.

◆ Main objectives

The implementation of the policy for the management of operational risks is pursuing the following objectives:

- contribute to the steering of the Group by controlling risks and costs;
- from a human resources point of view: protect people, develop a sense of responsibility, autonomy and control, and capitalize on the expertise within the Group;
- from an economic point of view: protect margins by closely managing operational risks on all activities, guarantee a return on the investment for the statutory adjustments, optimize the equity allocated to the cost of risk and adapt the insurance programmes to the identified risks;
- from a statutory point of view: provide an efficient answer to the statutory requirements of Basel II and to the requests of the control authorities, depend on the internal audit system (CRBF 97.02), optimize the continuation plans (PCA) of vital activities, adapt the financial communication (phase 3 of Basel II).

◆ Role and positioning of the management function

The national management function coordinates and consolidates all of these procedures, relying on a dedica-

ted team serving the Group, which provides leadership to operational risk managers in the regional groups.

The regional function implements the system and its evaluations in coherence with the global function. It is led by the manager of operational risks of the regional group.

◆ System for measuring and controlling

For modelling purposes, the Group particularly relies on the national database of internal losses, on an external database and on the scenarios developed as part of mapping and statistical work. The work is carried out in accordance with common procedures and regulatory requirements.

Homogeneous risks by business line, type of risk and risk object are mapped for all activities with assessments based on expert opinions, and then on probabilistic models. The technical committee on operational risks approves the models. The equity allowance is calculated nationally and then distributed regionally.

The general orientations for the reduction of operational risks includes:

- the efficient preventive actions, identified in the course of the modelling that is directly implemented by the operations team along with the permanent monitoring and quality control;
- the protective actions that are turned in priority towards generalizing the continuation plans on trade sectors, logistics and systems for the vital activities so as to limit the serious effects of a disaster or similar major loss event.

A coherent crisis management system for the Group, linked to the market for interbanking, covers crisis communication and the three phases of BCP: emergency plan, continuity plan and restoration plan.

◆ Reporting and general steering

The implementation of the policy for management of operational risks and risk profile are monitored using key indicators, limits and alerts covering the estimate of potential risks, the risk of total loss, the efficiency of the chosen reduction and financing measures. They are the object of regular information to the executive authorities and governing bodies and integrate the requirements of CRBF 97-02.

◆ Documentation and procedure

The Group has a set of procedures in continuous mode, which are validated by the managing bodies and regularly updated, including:

- governance: procedures covering the roles and responsibilities of the managing, decision-making and steering bodies, the national function, the frequency and

addressees of reports, the scope of the tracking of Group entities, and the subsidiary integration methodology;

- loss collection: procedures stating the rules for collecting and controlling internal losses;
- measurement system: procedures that particularly relate to modelling based on expert opinion and probabilities, Key Risk Indicator (KRI) collection rules, keys for the distribution of equity requirements, COREP declarations.

◆ Activity continuation plans (PCA)

The PCA come under the protective actions implemented by the company to limit the seriousness of a loss, within the programme for the management of operational risks.

A “methodology for the setting up of a PCA”, the reference document for the Crédit Mutuel-CIC Group. It is accessible to all the teams concerned by the PCA and is applied at regional group level.

The PCA are of two types:

- the PCA by trade: they concern a given bank trade linked to one of the trade lines of Basel II;
- the transversal PCA concern trades for which the object is to provide other trades with the means to function; these are logistics, HR and IT business continuity plans.

They are organised in three phases:

- the contingency plan is immediate and included all the actions dealing with the treatment of matters of urgency and the implementation of the backup solution;
- the continuation plan applies in the case of the resumption of activity in a downgraded environment in accordance with the terms defined before the occurrence of the crisis;
- the recovery plan: its implementation takes place shortly after the start of the continuation plan. The implementation time depends on the extent of the damage.

◆ The crisis management and its organization

The crisis management system implemented at the Group level covers the communication and the most effective organization possible to deal with the three phases of the crisis: contingency plan, continuation plan, recovery plan.

This system relies on:

- a crisis committee that makes the vital decisions, prioritizes actions and handles internal and external communication. The chairman is the general manager of the regional division on a regional level, and the general manager of the Group on a national level;
- a crisis team that centralizes information, implements the decisions that are taken and is in charge of their follow-up;
- a crisis unit per trade that coordinates crisis management operations on the field with the crisis team and par-

ticularly the activation of the PCA until back to a normal situation.

◆ Insurance deducted from equity

The programmes for financing operational risks are reviewed against the results of risk evaluations, after reduction and on the basis of the following principles:

- insuring the severe and major risks that can be insured, and developing self insurance for the Group for amounts under the deductible and for intra-group risks;
- insuring frequency risks when that is justified or financing them by charging to the operating statement;
- severe non-insurable risks and the non-insured balance are covered by the prudential equity reserve;
- major risks of interbank payment and exchange systems are covered by liquidity reserve funds that are made up and allocated by system.

The Group has an insurance plan, particularly to cover damage to property, overall insurance for banking/fraud and professional third-party liability insurance, which it intends to use in order to reduce regulatory equity consumption for operational risks.

◆ Training

Every year, the action in favour of training in operational risks for network directors, internal controllers and operational staff responsible for tracking the risks.

◆ Inventory of losses for the CM5-CIC Group

The total losses of the CM5-CIC Group reached 13.9 million euros in 2010, of which 180 million in losses and 166.1 million net occasions of reserves on sinister past.

The total incurred losses are defined below:

- fraud: 27.4 million euros;
- business relationship: 3.4 million euros;
- human error or procedure failure: 49.4 million euros; (reprise net sur provision)
- legal: 29.7 million euros;
- natural phenomena and systems malfunctioning: 2.8 million euros.

Other risks

◆ Legal risks

Legal risks are integrated into operational risks and concern, among other things, exposures to fines, penalties and damages for faults attributable to the company as a result of its operations.

◆ Industrial and environmental risks

Industrial and environmental risks are integrated into the operational risks and are analysed from the viewpoint of systems failures and the occurrence of major natural disas-

ters (100-year return flood, deluge, earthquake, pollution, etc.) and their impact on the company and the prevention and protection resources to put in place, particularly crisis management and business continuity plans.

Consolidated financial statements (Standards IFRS)



Balance sheet

(in millions of euros)

◆ Asset

	Notes	December 31st, 2010	December 31st, 2009
Cash and amounts due from central banks	4	7,217	9,185
Financial assets at fair value through profit or loss	5, 5b	41,229	52,963
Derivatives used for hedging purposes	6, 5b, 6b	135	1,713
Available-for-sale financial assets	7, 5b	76,529	75,723
Loans and receivables due from credit institutions	4	40,113	38,668
Loans and receivables due from customers	8	229,304	218,017
Remeasurement adjustment on interest-rate risk hedged portfolios	6	594	547
Held-to-maturity financial assets	9	10,733	9,101
Current tax assets	13	1,122	1,078
Deferred tax assets	13a	1,362	1,333
Accruals and other assets	14	15,610	16,495
Equity-accounted investments	15	1,481	517
Investment property	16	832	1,123
Property, plant and equipment	17	2,803	2,781
Intangible assets	17a	1,006	969
Goodwill	18	4,192	4,085
Total assets		434,262	434,298

◆ Liabilities

	Notes	December 31st, 2010	December 31st, 2009
Due to central banks	4a	44	1,265
Financial liabilities at fair value through profit or loss	5a, 5b	34,551	47,841
Derivatives used for hedging purposes	6, 5b, 6b	3,073	4,769
Due to credit institutions	4a	27,850	40,542
Due to customers	8a	163,467	149,740
Debt securities	19	95,035	87,341
Remeasurement adjustment on interest-rate risk hedged portfolios	6a	- 1,963	- 1,782
Current tax liabilities	13	527	395
Deferred tax liabilities	13a	939	1,126
Accruals and other liabilities	14a	12,098	12,193
Technical reserves of insurance companies	20	66,018	61,445
Provisions	21	1,529	1,187
Subordinated debt	22	7,155	6,357
Shareholders' equity		23,939	21,879
Shareholders' equity – Group share		20,508	18,733
Subscribed capital and issue premiums	23	5,139	4,918
– Consolidated reserves	23	13,698	12,626
– Unrealised or deferred gains and losses	23b, 23c	- 291	- 4
– Net income for the year		1,961	1,194
Shareholders' equity - Minority interests		3,431	3,146
Total liabilities and shareholders' equity		434,262	434,298

Consolidated income statement

(in millions of euros)

	Notes	December 31st, 2010	December 31st, 2009
Interest income	25	16,776	16,714
Interest expense	25	- 10,586	- 11,027
Commission income	26	3,662	3,453
Commission expense	26	- 903	- 890
Net gain (loss) on financial instruments at fair value through profit or loss	27	75	444
Net gain (loss) on available-for-sale financial assets	28	125	- 14
Income from other activities	29	12,648	11,091
Expenses on other activities	29	- 10,909	- 9,649
Net banking income		10,889	10,122
Operating expense	30, 30a	- 5,846	- 5,505
Depreciation, amortization and provisions for non-current assets	30b	- 510	- 443
Gross operating income		4,533	4,174
Cost of risk	31	- 1,305	- 1,987
Operating income		3,228	2,187
Share of income/(loss) of affiliates	15	26	31
Gains or losses on other assets	32	16	9
Change in value of goodwill	33	- 45	- 124
Net income before tax		3,225	2,103
Income tax	34	- 884	- 668
Net income		2,341	1,435
Net income attributable to minority interests		380	241
Net income – group share		1,961	1,194

◆ Net income and gains and losses recognized directly in shareholders' equity

	Notes	December 31st, 2010	December 31st, 2009
Net income		2,341	1,435
Translation adjustments		0	- 23
Remeasurement of available-for-sale financial assets		- 270	1,304
Remeasurement of hedging derivative instruments		- 45	- 31
Remeasurement of non-current assets		0	0
Share of unrealized or deferred gains and losses of affiliates		4	0
Total gains and losses recognized directly in shareholders' equity	23b, 23c	- 311	1,251
Net income and gains and losses recognized directly in shareholders' equity		2,030	2,686
– including group share		1,675	2,276
– including minority interests		355	410

The items relating to gains and losses recognized directly in shareholders' equity are presented net of related tax effects.

Statement of net cash flows

(in millions of euros)

	2010	2009
Net income	2,341	1,435
Income taxes	884	668
Income before income tax	3,225	2,103
Net depreciation/amortization expense on property and equipment and intangible assets	507	459
Impairment of goodwill and other non-current assets	2	1
Net additions to provisions and impairment	179	1,144
Share of income/loss of affiliates	- 27	- 21
Net loss/gain from investment activities	- 24	- 9
Income/(expense) from financing activities	0	0
Other movements	- 3,094	3,228
Total non-monetary items included in income before tax and other adjustments	- 2,458	4,802
Cash flows relating to interbank transactions	- 10,580	- 21,594
Cash flows relating to customer transactions	679	20,446
Cash flows relating to other transactions affecting financial assets or liabilities	8,577	- 10,794
Cash flows relating to other transactions affecting non-financial assets or liabilities	682	- 2,043
Taxes paid	- 911	- 604
Net decrease/(increase) in assets and liabilities from operating activities	- 1,553	- 14,589
Cash flows from (used in) operating activities	- 787	- 7,684
Cash flows relating to financial assets and investments in non-consolidated companies	- 468	1,272
Cash flows relating to investment property	- 126	- 193
Cash flows relating to property, plant, equipment and intangible assets	- 397	- 559
Cash flows from (used in) investing activities	- 991	521
Cash flows relating to transactions with shareholders	- 10	977
Other net cash flows relating to financing activities	3,097	- 2,091
Cash flows from (used in) financing activities	3,087	- 1,115
Impact of movements in exchange rates on cash and cash equivalents	127	19
Net increase (decrease) in cash and cash equivalents	1,437	- 8,259
Net cash flows from (used in) operating activities	- 787	- 7,684
Net cash flows from (used in) investing activities	- 991	520
Net cash flows from (used in) financing activities	3,087	- 1,115
Impact of movements in exchange rates on cash and cash equivalents	127	19
Cash and cash equivalents at beginning of year	4,292	12,551
Cash accounts and accounts with central banks	7,920	14,152
Demand loans and deposits – credit institutions	- 3,628	- 1,600
Cash and cash equivalents at end of year	5,729	4,292
Cash accounts and accounts with central banks	7,173	7,920
Demand loans and deposits – credit institutions	- 1,444	- 3,628
Change in cash and cash equivalents	1,437	- 8,259

Statement of changes in shareholders' equity

(in millions of euros)

	Capital stock	Additional paid in capital	Retained earnings ¹	Translation reserve
Shareholders' equity at January 1st, 2009	3,697	6	12,363	- 43
Capital increase	1,156			
Appropriation of 2008 earnings			353	
2009 dividend paid out of 2008 earnings			- 114	
Sub-total: movements arising from shareholder relations	1,156	0	239	0
Change of unrealised or deferred gains and losses recognized in shareholder's equity				
2009 net income				
Sub-total	0	0	0	0
Impact of changes in group structure	65	- 6	60	
Translation adjustments	0			7
Variation of the rates of conversion	0	0		
Shareholders' equity at December 31st, 2009	4,918	0	12,662	- 36
Shareholders' equity at January 1st, 2010	4,918	0	12,662	- 36
Capital increase	222			
Appropriation of 2009 earnings			1,194	
2010 dividend paid out of 2009 earnings			- 172	
Sub-total: movements arising from shareholder relations	222	0	1,022	0
Change of unrealised or deferred gains and losses recognized in shareholder's equity				
2010 net income				
Sub-total	0	0	0	0
Impact of changes in group structure			9	
Translation adjustments	0			42
Other movements	0	0	0	- 1
Shareholders' equity at December 31st, 2010	5,139	0	13,693	5

1. Reserves at December 31st, 2010 include a legal reserve of 56 million euros, regulatory reserves for a total of 1,503 million euros and other reserves amounting to 12,134 million euro.

Unrealized or deferred gains and losses, net of tax		Net income attributable to equity holders of the parent company	Equity attributable to equity holders of the parent company	Non-controlling interests	Total consolidated shareholder' equity
Relating to changes in fair value of available-for-sale financial assets	Relating to changes in fair value of hedging derivative instruments				
- 1,074	- 12	353	15,290	2,218	17,508
			1,156		1,156
		- 353	0		0
			- 114	- 65	- 179
0	0	- 353	1,042	- 65	977
1,063	- 31		1,032	169	1,201
		1,194	1,194	241	1,435
1,063	- 31	1,194	2,226	410	2,636
50			169	582	751
	0		0		
			7	1	8
39	- 43	1,194	18,733	3,146	21,879
39	- 43	1,194	18,733	3,146	21,879
			222		222
		- 1,194		0	0
0	0	- 1,194	- 172	- 60	- 232
			50	- 60	- 10
- 241	- 45		- 286	- 24	- 311
		1,961	1,961	380	2,341
- 241	- 45	1,961	1,675	355	2,030
			9	- 23	- 13
			42	12	54
0	0	0	- 1	0	- 1
- 202	- 89	1,961	20,508	3,431	23,939

Notes to the consolidated financial statements



Accounting principles and methods

Note 1.1 Accounting reference system

In application of Regulation (EC) 1606/2002 on the application of the international accounting standards and Regulation (EC) 1126/2008 on their adoption, the consolidated financial statements for the financial year have been drawn up according to the IFRS reference system adopted by the European Union on the closing date of the financial year. This IFRS reference system includes the IAS

standards 1 to 41, IFRS rules 1 to 8 and their SIC and IFRIC interpretations adopted on that date. No standard not adopted by the European Union is applied. The summary documents are presented according to recommendation CNC 2009-R.04.

All the IAS/IFRS standards were updated on November 3rd, 2008 by regulation 1126/2008, which replaced regulation 1725/2003. The references are now available from the website of the European Commission: "http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm".

The risk management information required under standard IFRS 7 is addressed in a special section of the management report.

Standards IAS / IFRS	Name of the standard	Date application in European Union	Consequences of application
New accounting texts in application from January 1st, 2010			
IAS 27	Consolidated and Separate Financial Statements	June 15th, 2009	Forward-looking application
IFRS 3R	Business Combinations	July 1st, 2009	Since January 1st, 2010
Amendments of existing standards			
IFRS 1	First Time Adoption of IFRS	november 29th, 2009	No impact
	Improvements to IFRSS	march 27th, 2010	No impact
IFRS 2	Group Cash-settled Share-based Payment Transactions	march 27th, 2010	No impact
IFRS 1	Additional Exemptions for First-Time Adopters	june 27th, 2010	No impact
Interpretations			
IFRIC 12	Service Concession Arrangements	march 29th, 2009	No impact
IFRIC 15	Agreements for the Construction of Real Estate	july 26th, 2009	No impact
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	june 8th, 2009	No impact
IFRIC 17	Distributions of Non-cash Assets to Owners	november 30th, 2009	No impact
IFRIC 18	Transfers of Assets from Customers	december 4th, 2009	No impact
Standards and interpretations adopted by the European Union not yet applied			
Amendments of existing standards			
IAS 24 R	Information relative to the bound parts	Required application as of January 1st, 2010	not significant
IAS 32	Financial instruments - presentation	Required application as of January 1st, 2010	The amendment concerns the classification of the broadcasts of rights: not concerned
Interpretations			
IFRIC 14	Amendment: pre-payments of the requirements of minimal financing	Required application as of January 1st, 2011	Not concerned
IFRIC 19	Extinction of financial liabilities by means of instruments of stockholders' equities	Required application as of January 1st, 2011	Not concerned

Scope and methods of consolidation

◆ Consolidating entity

The Crédit Mutuel CM5 Group (Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc and Midi-Atlantique) is a mutual banking group with membership of a central body in the meaning of articles L 511-30 et sequentes of the monetary and financial code. The local branches of the Crédit Mutuel, which are fully held by members, are at the base of the Group, using a capital control structure that is an upside-down pyramid.

In order to reflect the community of interests of members as faithfully as possible in the consolidation, the consolidating entity is defined so as to reflect the common links of working, financial solidarity and governance.

As part of that, the consolidating entity at the head of the Group is made up of companies placed under the same collective approval for practicing the banking activity issued by the committee of credit institutions and investment companies (CECEI).

Thus, the consolidating entity is made up of:

- the Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), the Fédération du Crédit Mutuel du Sud-Est (FCMSE), the Fédération du Crédit Mutuel Ile-de-France (FCMIDF), the Fédération du Crédit Mutuel Savoie-Mont Blanc (FCMSMB) and the Fédération du Crédit Mutuel Midi-Atlantique (FCMMA). These are the policy bodies of the Groups, and they identify the broad orientations, decide strategy and organise the representation of the branches;
- the Caisse Fédérale de Crédit Mutuel (CF de CM), the Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), the Caisse Régionale du Crédit Mutuel Ile-de-France (CRCMIDF), the Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc (CRCMSMB) and the Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA). At the service of local branches, the CF de CM is responsible for common services of the network, coordinating the work and taking charge of Group logistics. It centralises the deposits of branches, funding them at the same time, and carries all the regulatory appropriations on their behalf (mandatory reserves, allocated resources, deposits with the Caisse Centrale du Crédit Mutuel, etc.);
- the Crédit Mutuel branches that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB and FCMMA: these form the basis of the banking network of the Group.

The analysis of the verification of the consolidating entity complies with standard IAS 27, making it possible to prepare consolidated accounts according to IFRS references.

The CM5-CIC Group became CM10-CIC on January 1st, 2011, when the Crédit Mutuel Loire-Atlantique and Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais and Méditerranéen Federations joined the Caisse Fédérale de Crédit Mutuel.

◆ Scope of consolidation

The general principles governing the inclusion of an entity in the scope are laid down by IAS 27, IAS 28 and IAS 31.

The scope of consolidation consists of:

- entities under exclusive control: there is a presumption of exclusive control when the Group holds, directly or indirectly, a majority stake in the capital and either the majority of the voting rights or the power to appoint a majority of the members of the management or supervisory bodies, or when the Group exercises a dominant influence. The accounts of the entities under exclusive control are consolidated by global integration;
- entities under joint control: joint control is the sharing, by virtue of a contractual agreement, of control over an economic activity, whatever the structures or forms according to which the activities are conducted. The entities under joint control are consolidated by the proportional method;
- entities under significant influence: these are entities that are not controlled by the consolidating entity, but over which there is a power of participation in financial and operational policy. The securities of entities in which the Group exercises a significant influence are valued by the equity method.

Entities under control or under significant influence which do not represent a significant amount in the consolidated accounts are excluded from the scope of consolidation. This situation is presumed when the balance sheet total or the company's profit or loss do not have an impact of more than 1% on the consolidated or subconsolidated equivalent (in the case of consolidation in stages). This quantitative criterion is only relative; an entity may be included in the scope of consolidation in spite of this threshold, when its activity or its anticipated development give it the quality of strategic investment.

An *ad hoc* entity is consolidated if the conditions laid down by SIC 12 (activities of the entity conducted exclusively on behalf of the Group, decision-making or management power to obtain the majority of the advantages relating to the current activities of the entity, ability to benefit from the advantages of the entity, conservation of the majority of the risks) are fulfilled.

Stakes held by development capital companies and over which joint control or significant influence are exercised are excluded from the scope of consolidation and are accounted for at fair value on option.

◆ Changes to the scope

The changes to the scope at December 31st, 2010 are as follows:

Entries into the consolidation

- Subsidiaries of the banking network: Banco Popular Hipotecario (temporary naming of the partnership Credit Mutuel/Banco Popular), Moroccan Bank of the Foreign trade (BMCE).
- Banks of financing and activities of market: Diversified Debt Securities SICAV-SIF, Divhold.
- Private bank: transatlantic Singapore Private Ltd bank, Serficom Brasil.
- Other societies: top and Mag, Distripub, is Printing office, Governed Europe, Republican Group of Lorraine Communication (GRLC), Republican Group of Lorraine Printing offices (GRLI), Michel printing office, Inter' print, The east Freedom, Alsace, Alsace Magazines Publishing (Editions), The Republican inhabitant of Lorraine, The Publishing (Editions) of the Chessboard, Lumédia, Mediaportage, Republican of Lorraine Communication, TV Republican of Lorraine news, of Lorraine Republican Journeys, Roto Offset Imprimerie, SCI Alsace, SCI writing, SCI Gutenberg, SCI reed of Gold, Civil society of Management of Parts in Alsace (SCGPA), French Company of Edition of newspapers and commercial printed matters Alsace (SFEJICA), Sofiliest.
- Fusions / absorptions: deckchair Finances with BLC management, CIC investment Alsace with CIC Finances, CIC investment is with CIC investment, CIC investment North with CIC investment, Sodelem with CM-CIC lease and Crefidis with Cofidis.

◆ Methods of consolidation

The methods of consolidation used are as follows:

Global integration

This method consists of substituting for the value of the securities each of the assets and liabilities of each subsidiary and of isolating the part of the non-controlling interest in the shareholders' equity and in the results. It applies to all the entities under exclusive control, including those with different accounting structures, whether or not the activity is an extension of that of the consolidating entity.

Proportional integration

This method consists in integrating into the accounts of the consolidating entity the representative fraction of its interests in the accounts of the consolidated entity, after possible restating; no minority interest is thus recognised.

It applies to all the entities under joint control, including those with a different account structure, whether or not the activity is an extension of that of the consolidating entity.

Equity accounting

This means substituting for the value of the securities the Group's share in the shareholders' equity and the results of the entities concerned. It applies to all the entities under significant influence.

◆ Closing date

All the companies in the Group included in the scope of consolidation close their corporate accounts on December 31st.

◆ Elimination of reciprocal transactions

The reciprocal accounts as well as the profits resulting from assignments between the entities in the Group and having a significant impact on the consolidated accounts are eliminated.

Internal receivables, debts, commitments, charges and income are eliminated for the entities consolidated by global integration.

Conversion of accounts in foreign currencies

Concerning the accounts of foreign entities expressed in other currencies, the balance sheet is converted on the basis of the official exchange rate on the balance sheet date. The difference in the capital, reserves and balance carried forward is entered into the shareholders' equity, in the "Conversion reserves". The income statement is converted on the basis of the average rate over the financial year (the Group considers that the difference with the application of the course in the dates of transaction is not significant in this particular case). The resulting conversion differences are entered directly in the "Conversion reserves" account. This difference is reintegrated into the result in the event of the assignment or liquidation of all or a part of the stake held in the foreign entity.

The Group opted to reset the conversion reserves to zero in the opening balance sheet of January 1st, 2004 as allowed by IFRS 1.

◆ Goodwill

Purchase price discrepancy

At the date when a new entity is taken over, the assets, the liabilities, as well as any contingent operating liabilities are valued at their fair value. The purchase price discrepancy

pancy corresponding to the difference between the book value and the fair value is entered into the accounts.

Goodwill

In accordance with IFRS 3R, on the date of the acquisition of control of a new entity, the assets and liabilities and any identifiable liabilities of the acquired entity that meet the accounting criteria of the IFRS standards are valued at their fair value on the date of acquisition, with the exception of non current assets listed as assets held for the purposes of sale, which are entered at their fair value less sales costs. IFRS 3R allows the entry of total or partial goodwill, with the choice being made for each grouping. In the first case, minority interests are valued at their fair value (so-called total goodwill method); in the second, they are based on their share in the values given to the assets and liabilities of the acquired entity (partial goodwill). If the goodwill is positive, it is entered as an asset; otherwise, it is immediately entered in the income, as the "net positive effect of business combination".

If the percentage of interest of the Group in an entity already under its control is increased or decreased, the difference between the acquisition cost and transfer price of the shares and the share of the consolidated equity accounted for by those securities on the date of their acquisition or transfer is entered in the equity.

The goodwill is presented as a distinct item of the balance sheet of companies subject to overall integration and under the item "Holding in companies with equity accounting" when the entities are consolidated using that method.

Goodwill no longer includes the direct costs relating to the acquisitions, which are booked in the income according to IFRS 3R.

The Group regularly carries out, and at least once a year, goodwill depreciation tests. The aim of these tests is to ensure that the goodwill has not undergone any depreciation. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill allocated is less than its book value, a depreciation is entered for the amount of the difference. This depreciation, recognised as a result, is irreversible. In practise, the CGUs are defined in relation to business lines according to which the Group conducts its business.

◆ **Minority interest**

These are holdings that do not lead to control, as defined in the standard IAS 27, and include the instruments that are current interest shares, which do not give rise to a share of the net assets in case of liquidation and the other equity

instruments issued by the subsidiary and not held by the Group.

Note 1.3 **Accounting principles and methods**

The IFRS standards offer a choice of accounting methods on certain subjects. The main options chosen by the Group concern:

- the use of the fair value or of a revaluation as the presumed cost of the fixed assets at the time of the conversion: this option may apply to any tangible fixed asset, any intangible asset that meets the revaluation criteria, or any investment property valued on the basis of the cost. The Group has chosen not to use this option;
- the immediate recognition as shareholders' equity of actuarial gains/losses relating to staff benefits has not been applied by the Group;
- the Group opted to reset the conversion reserves to zero;
- the valuation at the market price of certain liabilities issued by the company not belonging to the trading book;
- the eligibility for fair value hedging relationships of macro hedging operations carried out as part of the assets-liabilities management of fixed rate positions (including in particular clientele sight deposits) authorised by Regulation n° 2086/2004 of the European Commission, was applied by the Group;
- the Group used the IAS 39 amendment of October 2008, which permits the reclassification of certain financial instruments recognized at fair value in loans or receivables or assets held until their term. Reclassifications into assets available for sale are also possible.

Note 1.3.1 **Loans and receivables**

Loans and receivables are fixed or determinable income financial assets not listed on an active market. They include loans granted directly or the share in the context of syndicated loans, acquired loans and unlisted debt securities. They are recognised at their market value when they are entered into the balance sheet, which is generally the net amount paid out.

The rates applied are presumed to be market rates insofar as the scales are adjusted permanently according in particular to the rates of the great majority of competing institutions. These outstanding amounts are then valued at the following closing dates at the depreciated cost by using the effective interest rate method (except for those that have been entered into the accounts according to the fair value by option method).

Commission directly relating to the setting up of the loan, received or paid and of the interest type, is spread over the duration of the loan according to the effective interest rate method and is entered in the income statement among the interest items.

The fair value of the loans is communicated in the notes on each closing date: it corresponds to the discounting of the future flows estimated on the basis of a zero coupon rate curve which does not include a signature cost inherent to the debtor a signing cost inherent to the debtor.

Note 1.3.2 Diminution in value of loans and debts receivable, funding commitments and financial guarantees given and debt instruments available for sale or held to maturity

◆ **Individual diminution in value of loans**

A depreciation is recognised as soon as there is objective proof of depreciation resulting from one or more events occurring after the setting up of the loan — or of a group of loans — and liable to generate a loss. An analysis is done at each closing date contract by contract. The depreciation is equal to the difference between the book value and the discounted value at the original interest rate of the loan of the estimated flows taking account of the effect of the guarantees. In the case of a variable rate, it is the last known contractual rate that is used.

The existence of payments due and unpaid for over 3 months, 6 months for property and 9 months for local authorities, represents objective proof of a loss event. Similarly when it is probable that the debtor will not be able to pay back all the amounts due or when there is an event of default or again in the case of official receivership, an objective indication of loss is identified.

Allowances for diminution in value and provisions are entered in the cost of the risk. The reversals of diminution in value and provisions are saved as risk costs as regards the share relating to the risk variation and as interest margin as regards the share relating to the passing of time. Diminution in value is deducted from assets as regards loans and debts receivable, and the provision is entered as a liability under the item "Provisions" as regards funding and guarantee commitments.

Unrecoverable debts are entered as losses and the corresponding diminution in value and provisions are reversed.

◆ **Collective diminution in value of loans**

Loans to the clientele not depreciated on an individual basis are the subject of a provision for homogenous loan portfolios in the case of the deterioration of internal or external ratings, on the basis of losses in the event of a default and of the probability of a default until maturity observed internally or externally, applied to outstanding loans. It is entered as a deduction of the outstanding amounts corresponding to the assets, and the variations over the financial year are recorded under the item "Cost of risk" in the income statement.

Note 1.3.3 Lease contracts

A lease is an agreement whereby a lessor assigns to a lessee, for a given period, the right to use an asset in exchange for a payment or a series of payments.

A direct financing lease is a lease that has the effect of transferring to the lessee virtually all the risks and advantages inherent in the ownership of an asset. The transfer of ownership may occur or not, *in fine*.

A simple lease refers to any lease other than a direct financing lease.

◆ **Lessor direct financing lease operations**

In accordance with IAS 17, the direct financing lease operations carried out with companies outside the Group feature in the consolidated balance sheet for their outstanding amounts determined according to financial accounting.

In the lessor's accounts, the analysis of the economic substance of the operations leads to:

- recognising a financial claim on the client, depreciated by the rents received;
- breaking down the rents into, on the one hand, the interest and, on the other, the amortisation of the capital, called financial amortisation;
- recognising a net hidden reserve, equal to the difference between:
 - the net financial liabilities: the lessee's debt constituting the capital remaining due and the accrued interest at the end of the financial year;
 - the net book value of the fixed assets leased;
 - the provision for deferred tax.

◆ **Lessee direct financing lease operations**

In accordance with IAS 17, the fixed assets are entered in the balance sheet assets by way of compensation for a loan with credit institutions in the liabilities. The rents paid

are broken down into interest charges and reimbursement of the principal of the debt.

Note 1.3.4 Securities acquired

Shares held are classified in the three categories designated under IAS 39, "Financial instruments valued at fair value through profit or loss", "Financial assets held to maturity" and "Financial assets available for trading".

◆ Financial assets and liabilities at fair value through profit or loss

Classification

The category of "Financial instruments valued at fair value through profit or loss" includes:

1. financial instruments held for transaction purposes. These are mainly instruments which:

- a. have been acquired to be sold or bought again in the short term, or
- b. are integrated in a portfolio of financial instruments managed together for which an effective recent schedule for short term profit taking exists, or again
- c. constitute a derivative not qualified as a hedge;

2. financial instruments classified by choice from the outset at the fair value through profit or loss in application of the option opened up by IAS 39 whose conditions of application were laid down by the amendment published in June 2005. The aim of the application of the fair value option is to produce more relevant financial information, with in particular:

- a. the fair value valuation of certain composite financial instruments without separation of the embedded derivatives, whose separate valuation would not have been sufficiently reliable,
- b. the significant reduction of distortions in accounting treatment between certain assets and liabilities,
- c. the management and monitoring of the performances of a group of assets and/or liabilities corresponding to a management of the risks or an investment strategy carried out at the fair value.

The Group has used this option in particular within the framework of unit-linked contracts in the insurance business out of coherence with the treatment applying to liabilities as well as for the securities of the capital development-business and certain debts issued including embedded derivatives.

Basis for assessment and recognition of expenses and income

Instruments classified as "Assets and liabilities at fair value through profit or loss" are counted when they are

entered into the balance sheet at their fair value, as well as at later closing dates, and this until they are sold. Variations in fair value and the income received or accrued on the fixed income securities classified in this category are recorded in the income statement under the item "Net income or losses on financial instruments at fair value through profit or loss".

Purchases and sales of securities valued at fair value through profit or loss are entered into the accounts on the settlement date. Variations in fair value between the trade date and the settlement date are counted in the result. The assessment of the counter-party risk on these securities is taken into account in the fair value.

Fair value or market value

The fair value is the amount at which an asset could be exchanged or a liability extinguished, between well-informed and consenting parties acting in normal conditions of competition. When an instrument is first recognised, its fair value is generally the transaction price.

The fair value in the case of the listing of the financial instrument on an active market is the price listed or market value, for this is the best estimation of the fair value.

The price quoted in the context of an asset held or a liability to be issued is generally the bid price and the ask price when it is a liability held and an asset to be acquired.

In the event of symmetrical active and passive positions, only the net position is valued according to the bid price if it is a net asset or a net liability to be issued and according to the ask price if it is a net liability or net asset to be acquired.

The market is said to be active when the prices quoted are easily and frequently available and these prices represent real transactions and occur regularly in normal conditions of competition on very similar financial instruments.

When the quotation market is not active, the fair value is determined using assessment techniques.

The derivatives are revaluated on the basis of data observable in the market (for example, rate curves). The notion of bid/ask must then be applied to these observable data.

For the securities of the capital development-business, a multi-criteria approach is applied, completed by experience in the field of valuing unlisted companies.

Classification criteria and rules for transfer

Market conditions can lead the Crédit Mutuel Group to change its investment strategy and its management intentions concerning these shares. Therefore, when it seems ill timed to transfer shares initially acquired with an objective of short-term transfer, these shares may be reclassified, in accordance with the specific regulations of amendment IAS 39 of October 2008. The transfer to categories such

as “Financial assets available for trading” or “Financial assets held to maturity” is authorized under exceptional circumstances.

Transfers to the “Loans and receivables” category is possible on the condition that the Group has the intent and the ability to hold them for the foreseeable future or to maturity. The objective of these portfolio transfers is to best reflect the new intents in terms of management concerning these instruments and to reflect in a more accurate manner their impact on the results of the Group.

◆ **Available-for-sale financial assets**

Classification

Available for sale financial assets include the financial assets not classified as “Loans and receivables”, nor as “Financial assets held until maturity” nor as “Fair value through profit or loss”.

Basis for assessment and recognition of expenses and income

These assets are recognised in the balance sheet at their market value at the time of their acquisition and at future closing dates, until they are sold. Variations in fair value are recorded under a specific item of shareholders’ equity called “Unrealised or deferred income or losses”, outside accrued revenue. This unrealised income or losses entered into the accounts as shareholders’ equity is only recognised in the income statement in the event of their sale or permanent decline in value. In the event of sale, this unrealised income or losses previously entered as shareholders’ equity is recognised in the income statement under the item “Net income or losses on available-for-sale financial assets”, as well as the capital gain or loss. Purchases and sales of securities are recognised on the settlement date.

The accrued or acquired revenue from fixed income securities is recognised in the results under the item “Interest and related income”. The dividends received on variable income securities are recorded in the income statement under the item “Net gains or losses on available-for-sale financial assets”.

Depreciation of debt instruments available to trading

Depreciations are booked in the “Cost of risk” category and are reversible. In the case of depreciations, differed capital loss or profit are booked in results.

Depreciation of capital instruments available for trading

A capital instrument is depreciated in the presence of objective indications of depreciation, either in the case of a) a major or prolonged decrease in the fair value below

its price, or b) information concerning important changes with a negative effect, which occurred in the technological or legal environment where the issuer operates and which indicate that the investment cost may not be recovered.

As regards equity instruments, it is considered that a devaluation of at least 50% in relation to its cost of acquisition or over a period of over 36 consecutive months leads to diminution in value. The analysis is carried out individually for each item. A judgement is also made for securities that do not fulfil the criteria above, but where the Group believes the invested amount cannot reasonably be expected to be recovered in the near future.

Depreciations are recognized in the “Net profits or losses on financial assets available for trading” category and are irreversible as long as the instrument is reported in the balance sheet. Any ulterior decrease is also recognized in results. In the case of depreciations, differed capital losses or profits are recognized in results.

Classification criteria and rules for transfer

Fixed-interest securities may be reclassified:

- in “Financial assets held to maturity”, in case of modification of intent and if conditions are met for classification under this category;
- in “Loans and receivables”, in the case of modification of intent and ability to hold for the foreseeable future or to maturity and if conditions are met for classification under this category.

In the case of transfer, the fair value of the financial asset at the date of reclassification becomes the new cost or depreciated cost. No profit or loss recognized before the transfer date may be derecognized.

In the case of transfer of shares in the “Financial assets available for trading” category to “Financial asset held to maturity” or “Loans and receivables” of instruments before the maturity date, the unrealized capital losses or profits are depreciated on the residual term of the assets. For the transfer of instruments that do not have a fixed term to the “Loans and receivables” category, the unrealized capital losses or profits are recognized as equity until the securities are sold.

◆ **Financial assets held to maturity**

Classification

Financial assets held to maturity are fixed or determinable income financial assets necessarily listed on an active market that the Group has the intention and ability to keep until their maturity and has not decided to classify as financial instruments at fair value through profit or loss or as available-for-sale financial instruments. The criteria of intention and ability to keep securities until their maturity are checked on each closing date.

Measurement basis and recognition of costs and income

Securities are recognized at fair value at the trade date. Transaction costs are spread since they are included in the calculation of the effective interest rate except when they are not significant, in which case they are recognized in initial income. For the ulterior closings, the securities are valued at amortized cost according to effective interest rate method, which includes amortization of premiums and discounts equivalent to the difference between the acquisition cost of the securities and the trading cost.

Income from these securities is recognized in "Interest and other income" of the income statement.

Depreciation

Financial assets held to maturity are depreciated in the same way as receivables and loans when classified as a credit risk.

Classification criteria and rules for transfer

This category includes fixed income securities or securities determined at a given date which the Group has the intention and ability of holding until term.

Eventual hedging operations in terms of interest rate classified in this category of securities are not eligible for hedging as defined under IAS 39 standards.

In addition, the possibilities for sale or transfer of the securities in this portfolio are very limited under IAS 39 standards, or run the risk of declassification of the entire portfolio of the Group and of banning access to this category for a period of two years.

◆ Fair value hierarchy of financial instruments

There are three levels of fair value of financial instruments, in accordance with what has been defined by standard IFRS 7:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices of level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

◆ Derivatives and hedge accounting

Financial instruments at fair value through profit or loss – derivatives

A derivative is a financial instrument:

- whose fair value depends on an interest rate, the price of financial instruments, the price of raw materials, an

exchange rate, a price, rate or credit index or another variable known as an underlying;

- which requires a low net investment or no investment or one lower than a non-derivative financial instrument to have the same sensitivity to the variation in the underlying;
- which is unwound at a future date.

Derivatives are part of the financial instruments held for transaction purposes except when they enter into a hedging relationship.

They are entered in the balance sheet among the financial instruments at fair value through profit or loss for their fair value. Variations in fair value and the accrued interest or interest due are entered into the accounts among the net income and losses nets on financial instruments at fair value through profit or loss.

The hedge derivatives that meet criteria required by standard IAS 39 to be qualified from an accounting point of view as hedging instruments are classified in the categories "Fair value hedges" or "Cash flow hedges" as appropriate. The other derivatives are all classified by default in the category "Transaction assets or liabilities", even if economically they have been subscribed with a view to covering one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument which, separate from its host contract, meets the definition of a derivative. Making certain cash flows vary in a similar way to that of a freestanding derivative.

This derivative is detached from the host contract to be accounted for separately as at a derivative instrument fair value through profit or loss when the three following conditions are met:

- the hybrid instrument hosting this embedded derivative is not valued at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered as closely linked to those of the host contract;
- the distinct valuation of the embedded derivative to be separated is sufficiently reliable to provide relevant information.

Financial instruments at fair value through profit or loss – derivatives – structured products

Structured products are financial packages offered to customers to meet their needs more precisely. They are constructed from elementary products, generally options. There are different categories of structured products based on the following elementary products: simple options, binary options, barrier options, Asian options, look back options, options on several assets, index swaps.

There are three main families of methods of valuing these products: the methods arising out of the resolution of a partial differential equation, the discrete time tree methods and the Monte-Carlo methods. The first and the last methods are used. The analytical methods applied are those selected by the market for modelling the underlying instruments used.

The parameters used for pricing are those observed or deduced via a standard model of the values observed, on the closing date. If there is no organised market, the values used are taken from the brokers most active on the corresponding products and/or extrapolated from quoted values. All the parameters used are historised. Unlisted financial futures are revalued from the prices observable in the market, according to the procedure known as "flashing". This last method consists of noting each day at the same time the prices offered and asked by several contributors via market flow software. A single price is retained for each useful market parameter.

Certain complex financial instruments and mainly single and multi-barrier underlying share structured products, generally made to measure, not very liquid and long-dated, are valued using models developed internally and valuation parameters such as long volatilities, correlations, estimations of dividends in part not observable on the active markets. When they are first entered into the accounts, these complex instruments are recorded in the balance sheet at the transaction price, which is considered as the best indication of the market value although the valuation produced by the models may be different. This difference between the negotiation price of the complex instrument and the value obtained using the internal model, generally a gain, is known as "Day one profit". The accounting laws prohibit the recognition of the margin made on products valued using models and parameters not observable on active markets. It is therefore deferred. When it concerns single underlying products without a barrier, the margin is spread over the lifespan of the instrument. For products including barrier options, in view of the specific risks relating to the management of these barriers, the margin is recognised on the maturity date of the structured product.

Hedge accounting

The IAS 39 rule allows three forms of hedging relationship. The choice of the hedging relationship is made according to the nature of the risk covered. Fair value hedging allows the hedging of exposure to variations in the fair value of financial assets or liabilities, and it is used in particular to hedge rate risks on fixed-rate assets and liabilities as well as sight deposits within the framework of the possibilities opened up by the European Union. Cash flow hedging is used to cover exposure to variations in cash flow of financial assets or liabilities, direct underwriting or

future transactions. It is used in particular to hedge rate risks on revisable rate assets and liabilities, including their renewal, and the exchange risk on future revenue highly probable in foreign currencies. Net investment hedging in foreign currencies is a special type of cash flow hedging.

The Group documents the relationship between the instrument hedged and the hedging instrument, as soon as the hedging relationship is set up. This documentation includes the management objectives of the hedging relationship, the nature of the risk covered, the underlying strategy, an identification of the hedging instrument and of the item covered, as well as the methods of measuring the effectiveness of the hedge.

The Group assesses that effectiveness when the hedging relationship is first set up then throughout its lifespan, at least at each closing date.

The ineffective part of the hedge is recognised in the profit and loss account under the item "Net income or losses on financial instruments at fair value through profit or loss".

Fair value hedging

The part corresponding to the rediscount of the derivative financial instruments is entered in the income statement under the item "Income from interest and interest charges – Hedging derivative instruments" symmetrically to the income from interest or interest charges relating to the item covered.

In the case of a fair value hedging relationship, the derivatives are valued at their fair value in compensation of the income statement under the item "Net income and losses on financial instruments at fair value through profit or loss" symmetrically to the re-evaluation of the risk of items covered in results. This rule also applies if the item covered is entered into the accounts at the depreciated cost or if it is a financial asset classified as an asset available-for-sale. If the hedging relationship is perfectly effective, the variation in the fair value of the hedging instrument compensates for that of the item covered.

The hedge must be considered as "highly effective" to be able to qualify for hedge accounting. The variation of the hedging instrument at fair value or in cash flow must practically compensate for the variation of the item covered at fair value or in cash flow. The ratio between these new variations must be situated in the range from 80% to 125%.

In the event of an interruption to the hedging relationship or the failure to meet the effectiveness criteria, hedge accounting ceases to be applied on a prospective basis. The hedging derivative instruments are transferred to transaction instruments and are entered into the accounts according to the principles applicable to that category. The value in the balance sheet of the item covered is no longer adjusted afterwards to reflect the variations in fair

value, and the adjustments accumulated under the hedging treatment are depreciated over the residual life of the item hedged. If the items hedged are no longer included in the balance sheet as a result in particular of early reimbursement, the adjustments accumulated are immediately entered in the income statement.

Fair value hedging by portfolio of the interest rate risk

The modifications made by the European Union to the IAS 39 rule in October 2004 allow clientele sight deposits to be included in portfolios of fixed rate liabilities.

For each portfolio of assets or liabilities, the bank checks that there is no overhedging and this for each pillar and on each closing date.

The portfolio of liabilities has maturity dates set according to the selling off rules defined by the balance sheet management.

The fair value variations of the interest rate risk of portfolios of hedged instruments are recorded in a specific line in the balance sheet "Purchase price discrepancy of rate hedged portfolios" by compensation of the income statement.

Cash flow hedging

In the case of a cash flow hedging relationship, the gains or losses of the hedging instrument considered as effective are recorded in a specific line in the shareholders' equity, "Unrealised or deferred gains or losses on cash flow hedging", whereas the part considered as ineffective is recorded in the income statement under the item "Net income or losses on financial instruments at fair value through profit or loss".

The amounts recorded in shareholders' equity are entered again in the results under the item "Income from interest and interest charges" at the same pace as the flows of the item hedged affect the results. The items hedged continue to be accounted for in accordance with the rules specific to their accounting category.

In the event of an interruption to the hedging relationship or the failure to meet the effectiveness criteria, hedge accounting ceases to be applied. The total amounts entered in shareholders' equity under the revaluation of the hedging derivative are maintained in shareholders' equity until the transaction hedged itself affects the result or when it is determined that it will not be realised. These amounts are then transferred to the results.

◆ Reclassification of debt instruments

Fixed income securities or debt instruments classified in fair value by result may be reclassified in the following categories:

a. "Held to maturity", only in a few rare cases, in the case of change of intent, and if eligible under the conditions for classification in this category;

b. "Loans and receivables", in the case of change of intent, ability of holding within a foreseeable future or until term and if eligible under the conditions for classification in this category;

c. "Available for trading", only in a few rare cases.

Fixed income securities or debt securities available for trading may be reclassified in the following categories:

a. "Held to maturity", in the case of change of intent or ability, and under the condition that they be eligible under the conditions of this category;

b. "Loans and receivables", in the case of intent or ability of holding the financial asset in the foreseeable future or until the term and under the condition that they be eligible under the conditions of this category.

In the case of transfer, the "Fair value of the financial asset" at the reclassification date becomes the new cost or "Depreciated cost". No loss or gain recognized before the date of transfer may be derecognized.

In the case of securities transferred from the "Available for trading" category to "Held to maturity" or "Loans and receivables" of debt instruments before the fixed term, the unrealized profit or loss in equity is depreciated for the remaining term of the asset. In the case of transfer of debt instruments that do not have a fixed term, to the "Loans and receivables" category, the differed unrealized profits and losses remain as equity until sale of securities.

Note 1.3.5 Debts represented by a security

Debts represented by a security (bank-issued medium-term notes, interbank market securities, debenture loans...), not classified at fair value through profit or loss on option, are entered into the accounts at their issue value, generally minus the transaction costs.

These debts are then valued at the depreciated cost according to the effective interest rate method.

Certain "structured" debt instruments may include embedded derivatives. These embedded derivatives are separated from the host contracts as long as the separation criteria are met and they can be valued in a reliable way.

The host contract is eventually entered into the accounts at the depreciated cost. The determination of the fair value is based on the quoted market price or on valuation models.

Note 1.3.6 Subordinated debts

Subordinated debts, forward or undetermined duration, are separated from the other debts represented by a secu-

rity, for their reimbursement in the event of the liquidation of the debtor is only possible after paying off the other creditors. These debts are valued at the depreciated cost.

Note 1.3.7 Distinction between debts and shareholders' equity

According to the IFRIC 2 interpretation, the members' shares are shareholders' equity if the entity has an unconditional right to refuse reimbursement or if there are legal or statutory provisions forbidding or strongly limiting such reimbursement. As a result of the existing legal and statutory provisions, the capital shares issued by the structures making up the consolidating entity of the Crédit Mutuel Group are entered into the accounts as shareholders' equity.

The other financial instruments issued by the Group are qualified for accounting purposes as debt instruments as long as there is a contractual obligation for the Group to deliver funds to the holders of securities. This is the case in particular for all the subordinated securities issued by the Group.

Note 1.3.8 Provisions

Charges to and writebacks of provisions are classified by nature in the corresponding expense and income items. The provision is included in liabilities.

A provision is constituted when it is likely that an expenditure of resources representative of economic advantages will be necessary to extinguish an obligation born of a past event and when the amount of the obligation may be reliably estimated. The amount of this obligation is updated if necessary to determine the amount of the provision.

The provisions constituted by the Group cover in particular:

- operational risks;
- employee commitments;
- risks of non-execution of commitments;
- disputes and liability guarantees;
- tax risks;
- risks linked to home ownership savings.

Note 1.3.9 Debts on the clientele and on the credit institutions

These debts are fixed or determinable income financial liabilities. They are recognised at their market value when they are entered into the balance sheet, and are then valued at the following closing dates at the depreciated cost using the effective interest rate method, except for those that have been recognised at fair value on option.

◆ Regulated savings contracts

The CEL (home ownership savings account) and the PEL (home ownership savings plan) are French regulated products available to the clientele (physical persons). These products feature a remunerated savings phase that entitles the saver to a home loan in a second phase. They generate two types of commitments for the distributing establishment:

- a commitment to the future remuneration of the savings at a fixed rate (on the PEL only, as the rate of remuneration of CELs can be counted as variable rate, being periodically revised according to an indexation formula);
- a commitment to grant a loan to the customers who ask for one, at predetermined conditions (PEL and CEL).

These commitments have been estimated on the basis of behavioural statistics concerning the customers and market data.

A provision is constituted in the balance sheet liabilities in order to cover the future charges relating to the potentially unfavourable conditions of these products, compared to the interest rates offered to the clientele of private individuals for products that are similar, but not regulated in terms of remuneration. This approach is conducted by homogeneous generation in terms of regulated PEL and CEL conditions. The impacts on the results are entered among the interest paid to the clientele.

Note 1.3.10 Cash and cash equivalents

Cash and cash equivalents including the cash accounts, deposits and demand loans with central banks and credit institutions.

Within the framework of the statement of cash flows, OPCVM collective investment funds are classified as an "operational" activity and are therefore not restated as cash.

Note 1.3.11 Employee benefits

Employee benefits are entered into the accounts according to the IAS 19 rule. Employee commitments are the subject, where appropriate, of a provision entered under the item "Contingency and loss provision". Its variation is entered in the income statement under the item "Employee expenses".

Post-employment schemes with defined benefits

This refers to retirement, pre-retirement and complementary retirement schemes in which the Group retains a formal or implicit obligation to provide the benefits promised to the personnel.

The commitments are calculated according to the projected unit credit method, which consists of allocating the benefit entitlement to periods of service in application of the contractual formula for the calculation of the scheme's benefits, then updated on the basis of demographic and financial hypotheses such as:

- the discount rate determined by reference to the rate of long-term bonds of borrowings of companies of the first category at the end of the fiscal year;
- the rate of increase in salaries, measured according to age group, management/non-management categories and regional characteristics;
- inflation rates, estimated by comparison between the rate of the OAT (French treasury bond) and the OAT inflated for the different maturities;
- the rate of employee mobility, determined by age group, on the basis of the mean ratio over 3 years of the number of resignations and dismissals in relation to the number of employees on permanent contracts present at the end of the financial year;
- retirement age: the estimation is carried out individually on the basis of the actual or estimated date of entry into employment and hypotheses relating to the retirement reform law, with a maximum limit of 67 years;
- the mortality rate according to INSEE table TH/TF 00-02.

The differences generated by the changes in these hypotheses and by the differences between the previous hypotheses and realisations constitute actuarial gains/losses. When the scheme has assets, these are valued at fair value and impact the result for their expected yield. The difference between the actual yield and the expected yield also constitutes an actuarial gain/loss.

The Group has opted for the immediate recognition of actuarial gains/losses in the income statement for the financial year in the form of provisions, without spreading over the residual period of activity of the employees. Reductions and winding up of schemes generate a variation in the commitment, which is entered into the income statement for the financial year.

Complementary pension plans depending on pension funds

The AFB interim agreement dated September 13th, 1993 modified the retirement schemes of banking institutions. Since January 1st, 1994, the banks have been members of the Arrco and Agirc national funds. The four pension funds of which, according to the case, the banks in the Group are members have been merged. They ensure the payment of the different charges provided for in the interim agreement out of their reserves, which are topped up if necessary by additional annual contributions paid by the banks concer-

ned and whose average rate over the next ten years is limited to 4% of payroll. The pension fund resulting from the mergers was changed to IGRS in 2009. It does not suffer from insufficient assets.

Other post-employment benefits with defined benefits

Long-service benefits paid on retirement and the pension supplements, including the special schemes, are provisioned. They are assessed on the basis of vested rights for all employees still working, according in particular to the staff turnover rate of the personnel specific to the consolidated entities and the estimated future salary that the beneficiary will have when he retires, increased where applicable by the social contributions. The long-service benefits paid on retirement by the Group's banks in France are covered for at least 60% by an insurance policy with ACM Vie, the Crédit Mutuel Group's insurance company and consolidated by global integration.

Post-employment benefits with defined contributions

The entities in the Group contribute to various pension schemes run by organizations independent of the Group, for which they retain no formal or implicit obligation to make supplementary payments, in particular if it is discovered that the funds' assets are not sufficient to meet its commitments.

As these schemes do not represent commitments for the Group, they are therefore not the subject of a provision. The charges are entered into the accounts in the financial year during which the contribution must be paid.

Long-term benefits

These are benefits due, other than the post-employment ones and end-of-contract payments, payable more than twelve months after the end of the financial year during which the personnel rendered the corresponding services, such as for example work medals, time savings accounts...

The Group's commitment to other long-term benefits is calculated according to the projected unit credit method. However, the actuarial gains/losses are immediately recognised in the results for the period, as the corridor method is not authorised.

Commitments to work medals are sometimes covered by insurance contracts. Only the non-covered part of this commitment may be the subject of a provision.

Additional pensions of employees

The employees of the CM5 and CIC Group are covered by the additional pension scheme of ACM Vie SA to supplement their mandatory retirement funds.

The employees of the CM5 Group benefit from two additional schemes, one with definite contributions and one with definite benefits. Entitlements to definite contributions are valid even if the employee leaves the company, unlike entitlements under the definite benefits scheme, which are only valid if they leave the company to go into retirement. The total commitment was 670 million euros on December 31st, 2010, covered by 662 million euros as special technical provisions and 31 million euros as mathematical provisions of agreements with definite benefits entered as liabilities in the balance sheet of ACM Vie SA for all the participants.

For their part, the employees of the CIC Group have additional retirement cover with definite contributions from ACM Vie SA, in addition to their mandatory retirement schemes. The total commitment was 256 million euros on December 31st, 2010, covered by 271 million euros as special technical provisions entered as liabilities in the balance sheet of ACM Vie SA for all the participants.

End-of-contract payments

These payments result from the benefit granted by the Group when a contract of employment is terminated before the normal retirement age or following an employee's decision to leave voluntarily in exchange for an indemnity. These provisions are discounted as soon as their payment is expected to be more than twelve months after the closing date.

Short-term benefits

These are benefits payable within twelve months of the end of the financial year other than end-of-contract payments, such as salaries, social security contributions and certain bonuses.

A charge is entered under these short-term benefits for the financial year during which the services giving rise to these benefits have been rendered to the company.

Note 1.3.12 Insurance activities

The accounting principles and the valuation rules specific to the assets and liabilities generated by the issuing of insurance policies, including reinsurance contracts issued or subscribed, and financial contracts containing a discretionary profit-sharing clause (which grants the subscribers of contracts the right to receive, on top of the guaranteed remuneration, a portion of the financial results realised) are drawn up in accordance with the IFRS 4 rule.

The other assets held and liabilities issued by the insurance companies consolidated by global integration follow the rules common to all the Group's assets and liabilities.

The financial assets representing the technical provisions related to unit-linked contracts are thus presented under "Financial assets at fair value through profit or loss" and the corresponding assets and liabilities valued on the closing date at the realisation value of the reference medium.

Furthermore, the contracts subject to IFRS 4 continue to be entered into the accounts and consolidated as in the French standards and are valued and entered into the accounts according to the same rules with the exception of a few limited restatements, in particular those relating to the elimination of regulatory equalisation provisions and to the accounting of deferred profit-sharing in accordance with the principles of the French regulation applied to the differences in the valuation of the assets. These are mainly provisions for deferred profit-sharing relating to unrealised capital gains and losses entered into the accounts on the assets side according to IAS 39 (which corresponds, according to IFRS 4, to the application of "shadow accounting": in order to reflect the share of these unrealised capital gains and losses, "the discretionary profit-sharing element", entirely in the provisions and not in shareholders' equity). These provisions for deferred profit-sharing are presented in the liabilities or assets, by legal entity with no compensation between entities within the consolidation. In the assets, they form a distinct item.

Apart from the various provisions charged and written back in the liabilities, the other transactions generated by these contracts are valued and entered into the accounts according to the same rules. This concerns in particular contract acquisition costs, receivables and debts arising out of contracts, advances on policies and recourse and subrogations resulting from insurance and reinsurance contracts.

At the closing date, a liability sufficiency test accounted for in these contracts (net of other related assets or liabilities such as acquisition costs carried forward and the portfolio securities acquired) is carried out: it checks that the liabilities entered into the accounts are sufficient to cover the future cash flows estimated at this date. Any insufficiency of the technical provisions is recognised in the results of the period (and will be written back at a later date if necessary).

The capitalisation reserve constituted in the individual accounts of the French companies as a result of the sale of amortisable transferable securities, with the aim of deferring a part of the net capital gains earned in order to maintain the actuarial yield of the portfolio constituted to represent the contractual commitments, is cancelled in the consolidated accounts. The movements of the financial year affecting this reserve, recognised by the result in the individual accounts, are cancelled in the consolidated

income statement. On the other hand, where there is a high likelihood of allocation to the insurees, in particular to take account of insurees' rights under some of the Group's entities' insurance portfolios, deferred profit-sharing is entered into the accounts following the restatement of the capitalisation reserve.

Note 1.3.13 Fixed assets

The fixed assets entered in the balance sheet include the tangible and intangible operating fixed assets as well as investment property. The operating fixed assets are used for the purposes of production of services or for administrative purposes. Investment property is immovable property held for rent and/or to increase the capital invested. It is recorded in the same way as the business premises, according to the historical cost method.

Fixed assets are entered into the accounts at their acquisition cost plus any expenses directly relevant and necessary to their return to working order in view of their use. The borrowing costs incurred during the construction or the adaptation of the immovable property are not activated.

After initial entry, the fixed assets are valued according to the historical cost method, that is to say at their cost minus the total depreciation and any losses in value.

When a fixed asset consists of several components that could be subject to replacement at regular intervals, as they have different uses or produce economic benefits at a different pace, each item is entered into the accounts separately from the outset, and each of the components is depreciated according to its own depreciation plan. The components-based approach has been chosen for the business premises and investment property.

The amortisable amount of a fixed asset is determined after deduction of its residual value net of the removal costs. The useful life of fixed asset generally being equal to the expected economic life of the asset, no residual value is recognised.

Fixed assets are depreciated over the expected useful life of the asset for the company according to its own estimated rate of consumption of the economic benefits. As intangible fixed assets have an undetermined useful life, they are not depreciated.

The depreciation provision concerning the operating fixed assets is entered into the accounts under the item "Depreciation provisions/writebacks and provisions of operating fixed assets" in the income statement.

The depreciation provisions concerning investment property are entered into the accounts under the item "Charges for other activities" in the income statement.

The ranges of depreciation periods used are:

Tangible fixed assets:

- Land, utilities, networks: 15-30 years
- Constructions-shell and structure: 20-80 years (depending on the type of property concerned)
- Constructions-fittings: 10-40 years
- Fittings and installations: 5-15 years
- Furnishings and office equipment: 5-10 years
- Safety equipment: 3-10 years
- Vehicles: 3-5 years
- IT equipment: 3-5 years

Intangible fixed assets:

- Software acquired or created in-house: 1-10 years
- Goodwill acquired: 9-10 years (if acquisition of a portfolio of clientele contracts).

Amortisable fixed assets are subject to depreciation tests when the closing dates for the loss of value indices are identified. Non-amortisable fixed assets (such as leases) are subject to a depreciation test once a year.

If there is such a depreciation index, the recoverable value of the asset is compared to its net book value. If there is a loss of value, a depreciation is recognised in the income statement; it modifies the amortisable base of the asset prospectively. The depreciation is written back if there is any change to the estimation of the recoverable value or disappearance of the depreciation indices. The net book value after writeback of the loss of value may not be higher than the net book value which would have been calculated if no loss of value had been entered.

Depreciation concerning the operating fixed assets is entered into the accounts under the item "Provisions/writebacks of provisions for depreciation of operating fixed assets" in the income statement.

Depreciation concerning the investment property are entered into the accounts under the item "Charges for other activities" (for the provisions) and "Income from other activities" (for the writebacks) in the income statement.

The capital gains and losses on the sale of operating fixed assets are recorded in the income statement on the line "Net income or losses on other assets".

The capital gains and losses from the sale of investment property are recorded in the income statement on the line "Income from other activities" or "Charges for other activities".

Note 1.3.14 Tax on profit or loss

The taxes on the profit or loss include all the taxes based on the profit or loss, payable or deferred.

The tax liability on the profits or losses is calculated according to the tax regulations in force.

◆ Deferred tax

In application of IAS 12, deferred taxes are recognised on the temporary differences between the tax value and the book value of the items in the consolidated balance sheet, with the exception of goodwill.

Deferred tax is calculated according to the variable carryover method with reference to the rate of corporation tax known at the end of the financial year, and applicable during the following financial years.

Assets net of the deferred tax liability are recognised when their likelihood of use is high. The tax payable or deferred is entered into the accounts as income or an expense, with the exception of those relating to unrealised or deferred income or losses entered as shareholders' equity, for which the deferred tax is allocated directly to this item.

Deferred tax assets or liabilities are compensated for when they have their origin in the same entity or tax group, depend on the same tax authority, and when there is a legal right of compensation.

Deferred tax is not the subject of discounting.

Note 1.3.15 Interest covered by the State on certain loans

As part of measures to aid the agricultural and rural sector, as well as home acquisition, certain entities in the Group grant loans at reduced rates fixed by the government. Consequently, these entities receive from the government a bonus equal to the rate differential that exists between the rate granted to the clientele and a predefined reference rate. As a result, no loss of value is recognised on the loans benefiting from these bonuses.

The arrangements concerning this compensation mechanism are regularly re-examined by the government.

The bonuses received from the state are recorded under the item "Interest and related income" and spread over the duration of the corresponding loans, in accordance with IAS 20.

Note 1.3.16 Financial guarantees and financing commitments

Financial guarantees are assimilated with an insurance policy when they provide for specific payments to be made to reimburse its holder for a loss that he has incurred as a

result of the default of a debtor specified to make a payment on a due date under the terms of a debt instrument.

In accordance with IFRS 4, these financial guarantees continue to be valued according to the French standards, namely off balance sheet, until a complement to the standard comes into effect to complete the current system. Consequently, these guarantees are the subject of a provision in the liabilities in the event of a probable expenditure of resources.

On the other hand, financial guarantee contracts which provide for payments in response to the variations of a financial variable (price, rating or credit index...) or of a non-financial variable, as long as in this case the variable is not specific to one of the parties to the contract, enter into the scope of application of IAS 39. These guarantees are then dealt with like derivative instruments.

Financing commitments that are not considered as derivative instruments in the sense of IAS 39 do not feature in the balance sheet. They are, however, the subject of provisions in accordance with the provisions of IAS 37.

Note 1.3.17 Operations in foreign currencies

Assets and liabilities made out in a currency other than the local currency are converted at the exchange rate on the closing date.

Monetary financial assets or liabilities

Exchange gains or losses arising out of these conversions can be entered into the income statement under the item "Net income or losses on portfolio at fair value through profit or loss".

Non-monetary financial assets or liabilities

Exchange gains or losses arising out of these conversions can be entered into the income statement under the item "Net income or losses on portfolio at fair value through profit or loss" if the item is classed at fair value through profit or loss or among the unrealised or deferred gains or losses when they are available-for-sale financial assets.

When consolidated securities in foreign currencies are financed by a loan in the same currency, the latter will be the subject of cash flow hedging.

The difference between the capital, reserves and balance brought forward is entered in the conversion reserve account in equity. The profit and loss account is converted on the basis of the average price of the fiscal year. The resulting conversion differences are entered directly in the conversion reserve account. That conversion reserve is reinstated in the profit if any part of the holding in the foreign entity is liquidated or sold.

Note 1.3.18 Non-current assets intended to be sold and activities abandoned

A non-current asset (or group of assets) meets the criteria of definition of assets intended for sale if it is available for sale and if its sale is highly likely and will take place within the next twelve months.

Related assets and liabilities are presented on two separate lines on the balance sheet under the items "Non-current assets intended to be sold" and "Debts relating to non-current assets intended to be sold". They are entered into the accounts at the lowest of either their book value or their fair value minus the transfer costs and are no longer depreciated.

When a loss in value is observed on this type of asset and liability, a depreciation is recorded in the result.

Activities are considered as abandoned when they are activities intended to be sold, activities that have been stopped and subsidiaries which were acquired only with a view to being sold. They are presented on a separate line in the statement under the item "Net tax income and losses on abandoned activities".

Note 1.3.19 Judgements and estimates used for drawing up the financial reports

The preparation of financial reports may require the use of assumptions and estimates that have an impact on income and expenses, assets and liabilities in the balance sheet and in the exhibits.

In this case, the administrators, based on their judgement and their experience, use information available at the date that the financial reports are produced to make the necessary assumptions. It is particularly the case for:

- depreciation of debt instruments and capital instruments,
- calculation models for measuring financial instruments that are not rated on a listed market and classified in "Available for trade" or in "Fair value by result",
- evaluation of market activity,
- measurement of the fair value of financial instruments that are not rated on a listed market and classified in "Loans and receivables" or "Held to maturity" and reporting this information in the exhibits of the financial report,
- depreciation tests on intangible assets,
- determining provisions, particularly for pension schemes and other future benefits.

Information on the balance sheet and income statement items (in millions of euros)

Note 2

Breakdown of the balance sheet and income statement by activities and geographical zones

The activities are as follows:

- The retail bank includes the branches of Crédit Mutuel CM5, the regional banks of the CIC, Targobank in Germany, Cofidis, Banco Popular Espagne, Banque Marocaine du Commerce Extérieur as well as the all the specialised activities in which the network is involved: real estate leasing, factoring, collective management, employee savings schemes, property.
- The insurance business consists of the Assurances du Crédit Mutuel Group.
- The financing and market activities cover:
 - a. the financing of large companies and institutional clients, specialised financing, the international market and foreign subsidiaries;

b. the market activities in the wider sense, that is the activities concerning interest and exchange rates and shares, whether they are exercised on behalf of the clientele or for own account, including stock market intermediation.

– The private banking activities include the companies whose main activities it is, both in France and abroad.

– A development capital activity exercised for own account and financial engineering constitute one sector of the business.

– The holding structure includes elements that cannot be assigned to another activity (holding) as well as the logistics structures: the intermediate holdings, the operating property lodged in specific entities and the IT entities.

The consolidated entities are allocated fully to their main activity on the basis of their contribution to the consolidated accounts. Only two entities form an exception, the CIC and the BFCM due to their presence in several activities. In this case, the company accounts have been subjected to an analytical breakdown. The balance sheet is broken down in the same way.

◆ Breakdown of the statement of financial position items by business line

Assets 2010

	Retail banking	Insurance
Cash, central banks, post office banks – Assets	1,774	0
Financial assets at fair value through profit or loss	190	12,196
Hedging derivative instruments – Assets	(17)	0
Available-for-sale financial assets	943	47,032
Loans and receivables due from credit institutions	20,307	16
Loans and advances to customers	206,183	264
Held-to-maturity financial assets	68	9,736
Equity-accounted investments	596	325

Liabilities 2010

	Retail banking	Insurance
Cash, central banks, post office banks – Liabilities	0	0
Financial assets at fair value through profit or loss	74	2,154
Hedging derivative instruments – Liabilities	1,026	0
Amounts due to credit institutions	0	0
Amounts due to customers	130,829	57
Debt securities in issue	22,112	0

Assets 2009

	Retail banking	Insurance
Cash, central banks, post office banks – Assets	3,115	0
Financial assets at fair value through profit or loss	152	12,885
Hedging derivative instruments – Assets	1,085	50
Available-for-sale financial assets	840	42,448
Loans and receivables due from credit institutions	21,785	11
Loans and advances to customers	194,659	261
Held-to-maturity financial assets	63	7,509
Equity-accounted investments	267	262

Liabilities 2009

	Retail bank	Insurance
Cash, central banks, post office banks – Liabilities	0	0
Financial assets at fair value through profit or loss	78	1
Hedging derivative instruments – Liabilities	2,223	0
Amounts due to credit institutions	0	0
Amounts due to customers	117,674	48
Debt securities	20,251	0

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
3,978	449	0	1,016	7,217
26,782	113	1,653	295	41,229
(202)	8	0	347	135
22,614	4,816	3	1,120	76,529
15,252	4,437	6	95	40,113
16,641	5,629	0	588	229,304
339	6	0	585	10,733
0	1	0	559	1 481

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
0	44	0	0	44
32,200	162	0	(39)	34,551
1,561	423	0	63	3,073
27,506	344	0	0	27,850
6,744	13,621	0	12,215	163,467
70,231	32	0	2,659	95,035

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
4,150	679	0	1,241	9,185
37,738	111	1,682	396	52,963
153	18	0	407	1,713
24,733	5,681	1	2,020	75,723
11,374	5,395	1	104	38,668
17,728	4,760	0	609	218,017
1,522	6	0	(0)	9,101
0	1	0	(14)	517

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
0	1,265	0	0	1,265
47,627	94	0	42	47,841
2,004	446	0	96	4,769
40,143	398	0	0	40,542
6,268	13,472	0	12,278	149,740
64,429	50	0	2,611	87,341

◆ Breakdown of the income statement items by business line

December 31st, 2010

	Retail banking	Insurance	Financing and capital markets
Net banking income	8,401	1,198	1,074
General and administrative expense	- 4,890	- 367	- 262
Gross operating income	3,511	831	812
Net additions to (reversals of) provisions for loan losses	- 1,154	0	- 32
Net gain (loss) on disposal of other assets	30	- 3	0
Net income before tax	2,388	828	780
Income tax	- 800	- 144	- 190
Net income	1,588	684	590
Non-controlling interests			
Net income – group share			

December 31st, 2009 pro-forma

	Retail banking	Insurance	Financing and capital markets
Net banking income	7,661	956	1,532
General and administrative expense	- 4,681	- 364	- 271
Gross operating income	2,980	593	1,262
Provision for credit losses	- 1,538	0	- 379
Net gain (loss) on disposal of other assets ¹	22	21	0
Net income before tax	1,464	614	882
Income tax	- 497	- 165	- 273
Net income	967	448	610
Non-controlling interests			
Net income – group share			

To make the accounts comparable between 2009 and 2010, 2009 amounts were restated for the following impacts:

a. Impact of reclassifications between "retail banking" and "inter-businesses" (no effect on net accounting income)

1. Retail Banking: Net banking income (-31) General and administrative expenses (+31)

3. Inter-businesses: Net banking income (+31) General and administrative expenses (-31)

b. Impact of reclassifications between "Logistics and holding company" and "inter-businesses" (no effect on net accounting income)

2. Logistics and holding company: Net banking income (-208) General and administrative expenses (+208)

3. Inter-businesses: Net banking income (+208) General and administrative expenses (-208)

Private banking	Private equity	Logistics and holding company	Inter-businesses	Total
404	191	103	- 482	10,889
- 320	- 35	- 963	482	- 6,355
84	155	- 860		4,533
- 15	0	- 105		- 1,305
1	0	- 32		- 3
71	155	- 997		3,225
- 8	- 3	261		- 884
62	153	- 737		2,341
				380
				1,961

Private banking	Private equity	Logistics and holding company ²	Inter-businesses ³	Total
397	49	- 104	- 369	10,122
- 303	- 28	- 671	369	- 5,949
94	21	- 775		4,174
1	0	- 71		- 1,987
0	0	- 126		- 83
95	21	- 972		2,103
- 24	- 1	293		- 668
70	20	- 680		1,435
				241
				1,194

◆ Breakdown of the statement of financial position items by geographic region

Assets

December 31st, 2010			
	France	Europe excluding France	Other countries ¹
Cash, central banks, post office banks – Assets	2,074	1,166	3,977
Financial assets at fair value through profit or loss	38,562	1,080	1,586
Hedging derivative instruments – Assets	124	10	1
Available-for-sale financial assets	69,099	6,189	1,241
Loans and receivables due from credit institutions	32,330	4,841	2,942
Loans and advances to customers	204,849	21,371	3,084
Held-to-maturity financial assets	10,727	6	0
Equity-accounted investments	840	173	468

Liabilities

December 31st, 2010			
	France	Europe excluding France	Other countries ¹
Cash, central banks, post office banks – Liabilities	0	44	0
Financial assets at fair value through profit or loss	32,843	1,518	190
Hedging derivative instruments – Liabilities	2,623	426	23
Amounts due to credit institutions	10,596	13,486	3,768
Amounts due to customers	140,005	22,539	924
Debt securities	77,244	9,985	7,805

1. USA, Singapore, Tunisia and Morocco.

◆ Breakdown of the income statement items by geographic region

December 31st, 2010			
	France	Europe excluding France	Other countries ¹
Net banking income ²	8,534	2,011	343
General and administrative expense	- 4,952	- 1,330	- 74
Gross operating income	3,582	681	269
Net additions to (reversals of) provisions for loan losses	- 524	- 602	- 180
Net gain (loss) on disposal of other assets ³	- 25	- 12	33
Net income before tax	3,034	68	122
Net income	2,172	58	110
Net income – group share	1,853	10	98

1. USA, Singapore, Tunisia and Morocco.

2. In 2010, 24% of the Net banking income (excluding Logistics and holding business line) came from foreign operations.

3. Including net profit of the entities put in equivalence and the losses of value on goodwill.

December 31st, 2009				
Total	France	Europe excluding France	Other countries ¹	Total
7,217	5,850	2,280	1,055	9,185
41,229	52,301	285	377	52,963
135	1,679	32	3	1,713
76,529	68,531	6,306	886	75,723
40,113	30,201	5,509	2,959	38,668
229,304	194,568	20,572	2,877	218,017
10,733	9,096	6	0	9,101
1,481	94	163	260	517

December 31st, 2009				
Total	France	Europe excluding France	Other countries ¹	Total
44	0	1,265	0	1,265
34,551	43,440	4,205	195	47,841
3,073	4,299	465	4	4,769
27,850	26,870	11,592	2,081	40,542
163,467	125,742	23,136	862	149,740
95,035	70,877	11,413	5,051	87,341

December 31st, 2009				
Total	France	Europe excluding France	Other countries ¹	Total
10,889	7,882	1,926	314	10,122
- 6,356	- 4,650	- 1,231	- 68	- 5,949
4,533	3,232	695	246	4,174
- 1,305	- 946	- 766	- 274	- 1,987
- 3	- 112	- 0	29	- 83
3,225	2,173	- 71	1	2,103
2,341	1,494	- 30	- 29	1,435
1,961	1,242	- 20	- 28	1,194

Note 3 Composition of the scope of consolidation

In accordance with the opinion of the Banking Commission, the parent company of the Group consists of the companies included in the scope of the consolidation. The entities that make it up are:

- the Fédération du Crédit Mutuel Centre Est Europe (FCMCEE),
- the Fédération du Crédit Mutuel du Sud-Est (FCMSE),
- the Fédération du Crédit Mutuel d'Ile-de-France (FCMIDF),
- the Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB),
- the Fédération du Crédit Mutuel Midi-Atlantique (FCMMA),
- the Caisse Fédérale de Crédit Mutuel (CF de CM),
- the Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE),

- the Caisse Régionale du Crédit Mutuel Ile-de-France (CRCMIDF),
- the Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB),
- the Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA),
- the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel Centre Est Europe,
- the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel du Sud-Est,
- the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel Ile-de-France,
- the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel de Savoie-Mont Blanc,
- the Caisses de Crédit Mutuel adhérentes of the Fédération du Crédit Mutuel Midi-Atlantique,
- the Cautionnement Mutuel de l'Habitat (CMH).

	December 31st, 2010			December 31st, 2009		
	% Control	% Interest	Method ¹	% Control	% Interest	Method ¹
Banking income						
Banque de l'Economie du Commerce et de la Monétique	96	92	IG	99	94	IG
Banque du Crédit Mutuel Ile-de-France (BCMI)	100	96	IG	100	96	IG
CIC Ouest (ex-CIC Banque CIO-BRO)	100	89	IG	100	89	IG
CIC Banque Nord-Ouest (ex-CIC Banque Scalbert Dupont – CIN)	100	89	IG	100	89	IG
Caisse Agricole du Crédit Mutuel	100	100	IG	100	100	IG
Crédit Industriel et Commercial (CIC)	93	89	IG	92	89	IG
CIC Est	100	89	IG	100	89	IG
CIC Iberbanco	100	96	IG	100	96	IG
CIC Lyonnaise de Banque (LB)	100	89	IG	100	89	IG
CIC Sud-Ouest (ex-Société Bordelaise de CIC (SBCIC))	100	89	IG	100	89	IG
Targobank AG & Co. KGa A	100	96	IG	100	96	IG
Subsidiaries of the banking income						
Banco Popular Hipotecario	50	48	IP			NC
Banque de Tunisie	20	19	ME	20	19	ME
Banque Marocaine du Commerce Extérieur (BMCE)	25	24	ME			NC
Banca Popolare di Milano	5	4	ME	5	4	ME
Caisse Centrale du Crédit Mutuel	26	26	ME	26	26	ME
CM-CIC Asset Management	84	80	IG	84	80	IG
CM-CIC Bail	100	89	IG	100	88	IG
CM-CIC Covered Bonds	100	96	IG	100	96	IG
CM-CIC Epargne salariale	100	89	IG	100	89	IG
CM-CIC Gestion	100	89	IG	100	89	IG
CM-CIC Laviolette Financement	100	89	IG	100	89	IG
CM-CIC Lease	100	92	IG	100	92	IG
CM-CIC Leasing Benelux	100	89	IG	100	88	IG
CM-CIC Leasing GmbH	100	89	IG	100	88	IG
Cofidis Argentine	66	22	IG	66	22	IG
Cofidis Belgique	100	33	IG	100	33	IG
Cofidis Espagne	100	33	IG	100	33	IG
Cofidis France	100	33	IG	100	33	IG

	December 31st, 2010			December 31st, 2009		
	% Control	% Interest	Method ¹	% Control	% Interest	Method ¹
Cofidis Italie	100	33	IG	100	33	IG
Cofidis République tchèque	100	33	IG	100	33	IG
Cofidis Roumanie	100	33	IG	100	33	IG
Cofidis Slovaquie	100	33	IG	100	33	IG
Creatis	100	33	IG	100	33	IG
Crefidis			FU	100	33	IG
C2C	100	33	IG	100	33	IG
Factocic	85	79	IG	51	49	IG
FCT CM-CIC Home loans	100	96	IG	100	96	IG
Monabanq	100	33	IG	66	22	IG
Saint-Pierre SNC	100	89	IG	100	89	IG
SCI La Tréflière	100	98	IG	100	98	IG
Sofim	100	89	IG	100	89	IG
SOFEMO – Société Fédérative Europ. de Monétique et de Financement	100	93	IG	100	93	IG
Targo Dienstleistungs GmbH	100	96	IG	100	96	IG
Targo Finanzberatung GmbH	100	96	IG	100	96	IG
Financing and market operations banks						
Banque Fédérative du Crédit Mutuel	96	96	IG	96	96	IG
Cigogne Management	100	92	IG	100	92	IG
CM-CIC Securities	100	89	IG	100	89	IG
Diversified Debt Securities SICAV - SIF	100	91	IG			NC
Divhold	100	91	IG			NC
Ventadour Investissement	100	96	IG	100	96	IG
Private banking						
Agefor SA Genève	70	62	IG	70	62	IG
Alternative gestion SA Genève	45	55	ME	45	55	ME
Banque de Luxembourg	100	91	IG	100	91	IG
Banque Pasche (Liechtenstein) AG	53	47	IG	53	47	IG
Banque Pasche Monaco SAM	100	89	IG	100	89	IG
Banque Transatlantique	100	89	IG	100	89	IG
Banque Transatlantique Belgium	100	87	IG	100	87	IG
Banque Transatlantique Luxembourg	90	85	IG	90	85	IG
Banque Transatlantique Singapore Private Ltd	100	89	IG			NC
Calypso Management Company	70	62	IG	70	62	IG
CIC Private Banking – Banque Pasche	100	89	IG	100	89	IG
CIC Suisse	100	89	IG	100	89	IG
Dubly-Douilhet	63	56	IG	63	56	IG
GPK Finance	100	89	IG	89	79	IG
LRM Advisory SA	70	62	IG	70	62	IG
Pasche Bank & Trust Ltd Nassau	100	89	IG	100	89	IG
Pasche Finance SA Fribourg	100	89	IG	100	89	IG
Pasche Fund Management Ltd	100	89	IG	100	89	IG
Pasche International Holding Ltd	100	89	IG	100	89	IG
Pasche SA Montevideo	100	89	IG	100	89	IG
Serficom Brasil	52	45	IG			NC
Serficom Family Office Inc	100	89	IG	100	89	IG
Serficom Family Office Ltda Rio	52	46	IG	52	46	IG
Serficom Family Office SA	100	89	IG	100	89	IG
Serficom Investment Consulting (Shanghai)	100	89	IG	100	89	IG
Serficom Maroc SARL	100	89	IG	100	89	IG
Transatlantique Finance			FU	100	89	IG
Transatlantique Gestion (ex-BLC Gestion)	100	89	IG	100	89	IG
Valeroso Management Ltd	100	89	IG	45	55	ME

	December 31st, 2010			December 31st, 2009		
	% Control	% Interest	Method ¹	% Control	% Interest	Method ¹
Development capital						
CIC Banque de Vizille	98	87	FC	98	87	FC
CIC Finance	100	89	FC	100	89	FC
CIC Investissement	100	89	FC	100	89	FC
CIC Investissement Alsace			MER	100	89	FC
CIC Investissement Est			MER	100	89	FC
CIC Investissement Nord			MER	100	89	FC
CIC Vizille Participations	100	87	FC	100	88	FC
Financière Voltaire	100	89	FC	100	89	FC
Institut de Participations de l'Ouest (IPO)	100	89	FC	100	89	FC
IPO Ingénierie	100	89	FC	100	89	FC
Sudinnova	63	55	FC	57	50	FC
Vizille Capital Finance	100	87	FC	100	87	FC
Vizille Capital Innovation	100	87	FC	100	87	FC
Holding and logistics ¹						
Adepi	100	89	FC	100	89	FC
Carmen Holding Investissement	67	64	FC	67	64	FC
CIC MFCrations	100	89	FC	100	89	FC
CIC Participations	100	89	FC	100	89	FC
Cicor	100	89	FC	100	89	FC
Cicoval	100	89	FC	100	89	FC
CM Akquisitions	100	96	FC	100	96	FC
CM-CIC Services	100	100	FC	100	100	FC
CMCP – Crédit Mutuel Cartes de paiement	50	49	FC	50	49	FC
Cofidis Participations	51	33	FC	51	33	FC
Est Bourgogne Rhône-Alpes (EBRA)	100	96	FC	100	96	FC
Efsa	100	89	FC	100	89	FC
Euro-Information	73	71	FC	73	71	FC
Euro-Information Développement	100	71	FC	100	71	FC
EIP	100	100	FC	100	100	FC
Gesteurop	100	89	FC	100	89	FC
Gestunion 2	100	89	FC	100	89	FC
Gestunion 3	100	89	FC	100	89	FC
Gestunion 4	100	89	FC	100	89	FC
Groupe Républicain Lorrain – GRIC	100	96	FC			NC
Impex Finance	100	89	FC	100	89	FC
Marsovalor	100	89	FC	100	89	FC
NRJ Mobile	90	64	FC	90	64	FC
Pargestion 2	100	89	FC	100	89	FC
Pargestion 4	100	89	FC	100	89	FC
Placinvest	100	89	FC	100	89	FC
Société civile de gestion des parts dans L'Alsace – SCGPA	100	98	FC			NC
Société française d'édition de journaux et d'imprimés commerciaux L'Alsace – SFEJIC	99	95	FC			NC
Sofiholding 2	100	89	FC	100	89	FC
Sofiholding 3	100	89	FC	100	89	FC
Sofiholding 4	100	89	FC	100	89	FC
Sofinaction	100	89	FC	100	89	FC
Targo Akademie	100	96	FC	100	96	FC
Targo Deutschland GmbH	100	96	FC	100	96	FC
Targo IT Consulting GmbH	100	96	FC	100	96	FC
Targo Management AG	100	96	FC	100	96	FC
Targo Realty Services GmbH	100	96	FC	100	96	FC
UffCestion 2	100	89	FC	100	89	FC
Ugépar Service	100	89	FC	100	89	FC

	December 31st, 2010			December 31st, 2009		
	% Control	% Interest	Method ¹	% Control	% Interest	Method ¹
Valimar 2	100	89	IG	100	89	IG
Valimar 4	100	89	IG	100	89	IG
VTP 1	100	89	IG	100	89	IG
VTP 5	100	89	IG	100	89	IG
Insurance companies						
ACM IARD	96	70	IG	96	70	IG
ACM Nord IARD	49	35	ME	49	35	ME
ACM Vie	100	72	IG	100	72	IG
ACM Vie, Société d'Assurance Mutuelle	100	100	IG	100	100	IG
Astree	30	22	ME	30	22	ME
Euro Protection Services	100	72	IG	100	72	IG
Groupe des Assurances du Crédit Mutuel (GACM)	77	72	IG	100	72	IG
ICM Life	100	72	IG	100	70	IG
ICM Ré	100	70	IG	100	72	IG
Immobilière ACM	100	72	IG	100	100	IG
MTRL	100	100	IG	100	72	IG
Partners	100	72	IG	100	72	IG
Procourtage	100	72	IG	100	72	IG
RMA Watanya	22	16	ME	20	14	ME
Serenis Assurances	100	72	IG	100	72	IG
Serenis Vie	100	72	IG	100	72	IG
Royal Automobile Club de Catalogne	49	35	ME	49	35	ME
Other companies						
ACM GIE	100	72	IG	100	72	IG
ACM Services	100	72	IG	100	72	IG
Agence générale d'informations régionales	49	47	ME	100	96	IG
Cime & mag	100	95	IG			NC
Darcy presse			NC	100	95	IG
Distripub	100	95	IG			NC
Documents AP	100	96	IG	100	96	IG
Est imprimerie	100	93	IG			NC
Europe Regie	66	62	IG			NC
Groupe Progrès	100	96	IG	100	96	IG
Groupe Républicain Lorrain Imprimeries – GRLI	100	96	IG			NC
Immocity	100	96	IG	100	96	IG
Imprimerie Michel	100	96	IG			NC
Information pour la communication			FU	50	48	IG
Interprint	100	96	IG			NC
Jean Bozzi Communication	100	96	IG	100	96	IG
La Gazette indépendante de Saône-et-Loire			FU	100	96	IG
La Liberté de l'Est	49	47	MEE			NC
La Tribune	100	96	IG	100	96	IG
L'Alsace	100	95	IG			NC
L'Alsace Magazines Editions – L'Ame	0	0	NC			NC
Le Bien Public	100	96	IG	100	96	IG
Le Dauphiné Libéré	100	96	IG	100	96	IG
Le Républicain Lorrain	100	96	IG			NC
Les Editions de l'Echiquier	100	95	IG			NC
Les Journaux de Saône-et-Loire	100	96	IG	100	96	IG
Lumedia	50	48	IP			NC
Lyon Plus			FU	100	96	IG
Lyonnaise de télévision			NC	60	57	IG
Massena Property	100	72	IG	100	72	IG
Massimob	100	70	IG	100	70	IG

	December 31st, 2010			December 31st, 2009		
	% Control	% Interest	Method ¹	% Control	% Interest	Method ¹
Mediaportage	100	95	IG			NC
Presse Diffusion	100	96	IG	100	96	IG
Promopresse	100	96	IG	100	96	IG
Publiprint Dauphiné	100	96	IG	100	96	IG
Publiprint Province n° 1	100	96	IG	100	96	IG
Républicain Lorrain – TV news	100	96	IG			NC
Républicain Lorrain Communication	100	96	IG			NC
Républicain Lorrain voyages	100	96	IG			NC
Rhône offset Presse			FU	100	96	IG
Roto offset Imprimerie	100	95	IG			NC
SCI 6, place Joubert			NC	100	96	IG
SCI ADS	100	72	IG	100	72	IG
SCI Alsace	90	85	IG			NC
SCI du Palais			NC	100	96	IG
SCI Ecriture	100	95	IG			NC
SCI Gutenberg	100	96	IG			NC
SCI Hôtel-de-Ville			NC	100	96	IG
SCI Le Progrès Confluence	100	96	IG	30	29	ME
SCI Roseau d'or	100	95	IG			NC
SIIC Foncière Massena	78	56	IG	77	55	IG
Société d'édition des hebdomadaires et périodiques locaux	100	95	IG	100	95	IG
Sofiliest	49	47	MEE			NC

1. Method:

IG = Global Integration.

IP = Proportional Consolidation.

ME = Equity accounting.

NC = Not Consolidated.

FU = Merged.

Note 4 Cash, Central banks

◆ Loans and receivables due from credit institutions

	December 31st, 2010	December 31st, 2009
Cash, and amounts due from Central banks		
Amounts due from Central banks – including reserve requirements	6,399 1,668	8,322 3,233
Cash	818	863
Total	7,217	9,185
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts ¹	13,283	12,481
Other current accounts in debit	4,561	2,877
Loans	7,222	6,779
Other receivables	7,405	8,454
Securities not listed in an active market	4,681	5,881
Repurchase agreements	1,742	855
Individually impaired receivables	1,267	1,506
Accrued income	301	357
Impairment provisions	- 350	- 520
Total	40,113	38,668

1. Mainly outstanding repayments for CDC (LEP, LDD, Livret bleu).

◆ Amounts due to credit institutions

	December 31st, 2010	December 31st, 2009
Due to central banks	44	1,265
Due to credit institutions		
Crédit Mutuel network accounts	3,563	2,045
Other current accounts	17,295	34,164
Borrowings	2,870	2,316
Other	4,052	1,929
Repurchase agreements	69	88
Total	27,894	41,807

Note 5 Financial assets and liabilities at fair value through profit or loss

	December 31st, 2010			December 31st, 2009		
	Transaction	Fair value by option	Total	Transaction	Fair value by option	Total
Securities	15,931	14,329	30,260	19,302	15,328	34,629
– Government securities	2,766	30	2,796	4,754	88	4,843
– Bonds and other fixed-income securities	11,994	3,790	15,784	12,307	3,749	16,056
<i>Listed</i>	11,994	3,743	15,737	12,307	3,680	15,987
<i>Unlisted</i>	0	48	48	0	69	69
– Equities and other variable-income securities	1,171	10,509	11,680	2,241	11,490	13,731
<i>Listed</i>	1,171	8,933	10,104	2,241	9,979	12,219
<i>Unlisted</i>	0	1,575	1,575	0	1,511	1,511
Trading derivative instruments	2,521	0	2,521	3,358	0	3,358
Other financial assets		8,448	8,448		14,975	14,975
– including resale agreements		8,448	8,448		14,974	14,974
Total	18,451	22,778	41,229	22,660	30,303	52,963

Note 5a Financial liabilities at fair value through profit or loss

	December 31st, 2010	December 31st, 2009
Financial liabilities held for trading	7,312	9,786
Financial liabilities at fair value by option through profit or loss	27,239	38,055
Total	34,551	47,841

Note 5b Financial liabilities held for trading

	December 31st, 2010	December 31st, 2009
Short selling of securities	1,864	4,168
– Government securities	1	0
– Bonds and other fixed-income securities	1,315	3,496
– Equities and other variable-income securities	548	673
Trading derivative instruments	4,687	5,276
Derivatives held for trading	760	342
Total	7,312	9,786

Note 5c Financial liabilities at fair value by option through profit or loss

	December 31st, 2010			December 31st, 2009		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	473	472	1	3,670	3,668	2
Securities issued	25,615	25,609	6	27,193	27,175	18
Due to customers	1,151	1,151	0	7,192	7,192	0
Total	27,239	27,232	7	38,055	38,035	20

Note 5d Fair value hierarchy

December 31st, 2010				
	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale	72,931	2,115	1,482	76,529
– Government and similar securities, available-for-sale	13,973	0	0	13,973
– Bonds and other fixed-income securities, available-for-sale	51,128	2,082	337	53,547
– Equities and other variable-income securities, available-for-sale	6,158	0	71	6,229
– Investments in non-consolidated companies and other LT investments, available-for-sale	1,648	9	390	2,047
– Investments in associates, available-for-sale	24	24	684	732
Transaction / Fair value by option	25,063	12,967	3,200	41,229
– Government and similar securities, transaction	2,634	132	0	2,766
– Government and similar securities, fair value by option	30	0	0	30
– Bonds and other fixed-income securities, transaction	8,960	1,455	1,579	11,994
– Bonds and other fixed-income securities, fair value by option	3,252	539	- 1	3,790
– Equities and other variable-income securities, transaction	1,156	0	15	1,171
– Equities and other variable-income securities, fair value by option	8,941	0	1,568	10,509
– Loans and receivables due from credit institutions, Fair value by option	0	4,077	0	4,077
– Loans and receivables due from customers, fair value by option	0	4,372	0	4,372
– Derivative instruments and other financial assets, transaction	30	2,392	99	2,521
Hedging derivative instruments	3	125	7	135
Total	97,937	15,207	4,749	117,893
Financial liabilities				
Transaction / Fair value by option (FVO)	2,659	31,841	51	34,551
– Due to credit institutions – Fair value by option	0	25,615	0	25,615
– Due to customers – Fair value by option	0	1,151	0	1,151
– Debt securities – Fair value by option	0	473	0	473
– Subordinated debt – Fair value by option	0	0	0	0
– Derivative instruments and other financial liabilities – Transaction	2,659	4,602	51	7,312
Hedging derivative instruments	3	2,416	654	3,073
Total	2,662	34,257	705	37,624

There are three levels of fair value of financial instruments, in accordance with what has been defined by standard IFRS 7:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices of level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Level 3 details

	Opening	Purchases	Sales	Gains and losses recognized in profit	Other transactions	Closing
Equities and other variable-income securities						
Fair value by option	1,536	262	- 372	168	- 26	1,568

Note 6 Hedging derivative instruments

	December 31st, 2010		December 31st, 2009	
	Assets	Liabilities	Assets	Liabilities
Cash Flow Hedge	4	45	2	26
Fair value hedge (change in value recognized through profit or loss)	131	3,028	1,712	4,743
Total	135	3,073	1,713	4,769

Note 6a Remeasurement adjustment on investments hedged against interest risk

	Fair value December 31st, 2010	Fair value December 31st, 2009	Change in fair value
Fair value of interest rate risk by investment category			
Financial assets	594	547	47
Financial liabilities	- 1,963	- 1,782	- 181

Note 6b Analysis of derivative instruments

	December 31st, 2010			December 31st, 2009		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
– Swaps	380,632	1,630	3,656	352,929	1,967	4,138
– Other forward contracts	10,704	4	0	13,486	24	1
– Options and conditional transactions	48,440	213	259	60,927	458	438
Foreign exchange derivative instruments						
– Swaps		39	85		21	43
– Other forward contracts	36	121	101	231	147	123
– Options and conditional transactions	15,865	169	169	14,769	157	158
Derivative instruments other than interest-rate and foreign exchange						
– Swaps	22,289	288	347	23,699	289	230
– Other forward contracts	3,598	0	0	6,045	0	3
– Options and conditional transactions	1,624	56	70	14,376	296	142
Sub-total	483,187	2,521	4,687	486,462	3,358	5,276
Hedging derivative instruments						
Fair value hedging derivative instruments						
– Swaps	67,075	131	3,028	72,375	1,659	4,743
– Options and conditional transactions	2	1	0	14	53	0
Cash flow hedging derivative instruments						
– Swaps	0	2	45	86	0	26
– Options and conditional transactions	0	2	0	0	1	0
Sub-total	67,077	135	3,073	72,474	1,713	4,769
Total	550,264	2,656	7,760	558,937	5,072	10,045

Note 7 Available-for-sale financial assets

	December 31st, 2010	December 31st, 2009
Government securities	13,790	15,270
Bonds and other fixed-income securities	53,419	51,557
– Listed	52,953	51,116
– Unlisted	466	441
Equities and other variable-income securities	6,267	5,961
– Listed	6,094	5,692
– Unlisted	173	269
Long-term investments	2,741	2,622
– Investments in non-consolidated companies	1,648	1,455
– Other long-term investment	399	421
– Investments in associates	694	746
Accrued interest	311	313
Total	76,529	75,723
<i>Including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity</i>	- 651	- 418
<i>Including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity</i>	437	475
<i>Including impairment of bonds and other fixed-income securities</i>	- 91	- 92
<i>Including impairment of equities and other variable-income securities and long-term investments</i>	- 1,743	- 1,706

◆ List of major investments in non-consolidated companies

		Percent interest	Equity	Total assets	NBI or revenue	Net income
Banca di Legnano ¹	Not quoted	< 10%	1,187	4,709	180	31
Crédit logement	Not quoted	< 5%	1,475	11,810	226	120
CRH (Caisse de Refinancement de l'Habitat)	Not quoted	< 20%	211	40,626	3	1
Foncière des Régions	Quoted	< 5%	4,807	13,953	991	- 464
Banco Popular	Quoted	< 5%	8,447	129,290	4,054	780
Veolia Environnement	Quoted	< 5%	10,131	49,817	34,551	842

(1) Banca di Legnano is 93.51% owned by BPM.

The figures above (excluding the percent of interest) relate to 2009.

Note 8 Loans and receivables due from customers

	December 31st, 2010	December 31st, 2009
Performing loans	217,497	206,666
Commercial loans	4,326	3,964
Other customer loans	212,242	201,838
– home loans	115,258	107,040
– other loans and receivables, including resale agreements	96,984	94,797
Accrued income	512	507
Securities not listed in an active market	417	358
Insurance and reinsurance receivables	170	156
Individually impaired receivables	10,756	10,360
Gross receivables	228,423	217,183
Individual impairment	- 6,719	- 6,117
Collective impairment	- 408	- 398
Sub-total I	221,296	210,668
Finance leases (net investment)	8,138	7,458
Furniture and movable equipment	5,263	4,897
Real estate	2,698	2,412
Individually impaired receivable	177	149
Individual impairment	- 130	- 109
Sub-total II	8,008	7,349
Total	229,304	218,017
<i>including participatory loans</i>	28	8
<i>including subordinated notes</i>	12	171

◆ Finance leases with customers

	December 31st, 2009	Acquisition	Sale	Others	December 31st, 2010
Gross carrying amount	7,458	1,465	- 1,502	717	8,138
Impairment of irrecoverable rent	- 109	- 35	25	- 11	- 130
Net carrying amount	7,349	1,430	- 1,477	706	8,008

◆ 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	2,627	4,342	1,547	8,516
Present value of future minimum lease payments receivable	2,445	4,135	1,532	8,112
Unearned finance income	182	207	15	404

Note 8a Amounts due to customers

	December 31st, 2010	December 31st, 2009
Regulated savings accounts	59,412	57,369
– demand	38,479	35,685
– term	20,933	21,684
Accrued interest on savings accounts	25	32
Sub-total	59,437	57,402
Demand deposits	54,579	49,886
Term accounts and loans	47,839	39,744
Repurchase transactions	684	1,876
Accrued interest	872	785
Insurance and reinsurance interest	57	48
Sub-total	104,030	92,339
Total	163,467	149,740

Note 9 Held-to-maturity financial assets

	December 31st, 2010	December 31st, 2009
Securities	10,742	9,082
– Bonds and other fixed-income securities	10,742	9,082
Quoted	10,713	9,066
Non-quoted	29	16
Accrued income	2	20
Gross total	10,745	9,102
<i>Including impaired assets</i>	25	1
Provisions for impairment	- 12	- 1
Total net	10,733	9,101

Note 10 Movements in provisions for impairment

	December 31st, 2009	Additions	Reversals	Other	December 31st, 2010
Loans and receivables due from credit institutions - 520		- 131	321	- 19	- 350
Loans and receivables due from customers	- 6,624	- 2,119	1,492	- 5	- 7,256
Available-for-sale securities	- 1,798	- 125	81	9	- 1,834
Held-to-maturity securities	- 1	- 12	0	1	- 12
Total	- 8,942	- 2,387	1,894	- 15	- 9,451

At December 31st, 2010 provisions for loans and receivables due from customers amounted to 7,256 million euros (compared to 6,624 euros in 2009), of which collective provisions totaled 407 million euros. Individual provisions essentially relate to current accounts in debit, for 915 million euros (compared to 971 million euros at the end of 2009) and to provisions for commercial and other loans (including home loans) for 5,804 million euros (compared to 5,146 million euros at the end of 2009).

Note 11 Reclassifications of financial instruments

In application of new accounting regulations and in the extraordinary circumstances of a completely disrupted market, on July 1st, 2008 the Group reclassified 18.8 billion euros of investments from the trading securities portfolio into AFS (16.1 billion euros) investments and Loans and receivables (2.7 billion euros), as well as 6.5 billion euros of AFS investments into Loans and receivables (5.9 billion euros) and HTM investments (0.6 billion euros). No other reclassification has occurred since that date.

	December 31st, 2010		December 31st, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Loans and receivables portfolio	5,582	5,294	6,862	6,558
AFS portfolio	9,284	9,284	13,590	13,590

	December 31st, 2010	December 31st, 2009
Gains (losses) which would have been recognized at fair value through profit or loss if the assets had not been reclassified	140	1,468
Unrealized gains (losses) which would have been recognized directly in shareholders' equity if the assets had not been reclassified	- 139	- 811
Gains (losses) on reclassified assets, recognized in income (NBI and cost of risk)	20	- 410

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.

◆ Securitization

	December 31st, 2010		December 31st, 2009
	Carrying value	Acquisition price	Carrying value
RMBS	5,579	6,197	5,387
CMBS	458	480	198
CLO	1,887	1,896	1,806
Other ABS	849	853	1,532
CLO covered by CDS	833	972	925
Other ABS covered by CDS	49	56	28
Liquidity facilities	334		298
Total	9,989	10,454	10,174

◆ RMBS exposure

	December 31st, 2010		December 31st, 2009
	Carrying value	Acquisition price	Carrying value
Trading	1,819	1,828	1,067
Available-for-sale	1,835	1,900	1,959
Loans	1,925	2,469	2,361
Total	5,579	6,197	5,387
France	14	16	18
Europe, excluding France	2,803	2,884	2,777
USA	2,366	2,892	2,082
Other	396	405	510
Total	5,579	6,197	5,387
Agencies	1,075	1,064	688
AAA	2,984	3,026	3,080
AA	322	340	263
A	69	91	85
BBB	71	108	27
BB	43	51	42
Below or equal to B	1,015	1,517	1,194
No quoted	0	0	8
Total	5,579	6,197	5,387

Exposure to RMBS issued in the USA

	December 31st, 2010		December 31st, 2009
	Carrying value	Acquisition price	Carrying value
Originated in 2005 and before	461	590	529
Originated in 2006	603	769	716
Originated in 2007	593	820	722
Originated since 2008	709	713	115
Total	2,366	2,892	2,082

Guarantees received from monoliner insurance companies on USA RMBS

	December 31st, 2010		December 31st, 2009
	Carrying value	Carrying value	Carrying value
Ambac	15	15	22
MBIA	4	4	4
FGIC	21	49	35
Total	40	68	61

◆ **CMBS exposure (Commercial Mortgage Backed Securities)**

	December 31st, 2010		December 31st, 2009
	Carrying value	Acquisition price	Carrying value
France	1	2	1
Europe, excluding France	84	96	79
USA	291	293	0
Other	82	89	118
Total	458	480	198
Trading	306	310	14
AFS	147	164	177
Loans	5	6	7
Total	458	480	198
AAA	346	351	82
AA	92	104	112
Other	20	25	4
Total	458	480	198

◆ **ABS exposure**

CLO / CDO exposure

CDO not hedged by CDS (Credit Default Swaps)

	December 31st, 2010		December 31st, 2009
	Carrying value	Acquisition price	Carrying value
Trading	23	22	
Available-for-sale	29	29	33
Loans	1,835	1,845	1,773
Total	1,887	1,896	1,806
France	0	0	
Europe, excluding France	889	892	801
USA	998	1,004	62
Other	0	0	943
Total	1,887	1,896	1,806
Agencies	0	0	0
AAA	1,070	1,076	1,434
AA	600	605	322
Other	217	216	50
Total	1,887	1,897	1,806

Exposure to other ABS

	December 31st, 2010		December 31st, 2009
	Carrying value	Acquisition price	Carrying value
Trading	343	342	689
Available-for-sale	287	290	528
Loans	219	221	315
Total	849	853	1,532
France	407	406	559
Europe, excluding France	398	403	903
USA	0	0	0
Autres	44	44	70
Total	849	853	1,532
AAA	601	598	1,180
AA	78	78	148
A	7	7	13
BBB	150	151	191
BB	13	19	0
Total	849	853	1,532

Exposures hedged by CDS

At December 31st, 2010 outstanding CLO hedged by CDS totaled 833 million euros, while other ABS hedged by CDS amounted to 49 million euros.

◆ Transactions with special purpose vehicles

At December 31st, 2010, liquidity facilities granted to 3 FCC represented 333 million euros.

◆ LBO exposure (*leverage buy-out*)

	December 31st, 2010	December 31st, 2009
	Carrying value	Carrying value
Dedicated funding structures by geographic region		
France	1,671	1,371
Europe, excluding France	408	494
USA	127	140
Other	70	50
Total	2,276	2,055

Dedicated funding structures by business sector (in %)

	December 31st, 2010	December 31st, 2009
	Carrying value	Carrying value
Industrial goods and services	16	22
Industrial transport	28	11
Healthcare	10	13
Travel and leisure	10	10
Construction	9	11
Telecommunications	6	6
Other < 5%	21	27
Total	100	100

Note 13 Current income tax

	December 31st, 2010	December 31st, 2009
Asset (by income)	1,122	1,078
Liability (by income)	527	395

Note 13a Deferred income tax

	December 31st, 2010	December 31st, 2009
Asset (by income)	926	960
Asset (by shareholders' equity)	436	372
Liability (by income)	714	939
Liability (by shareholders' equity)	225	187

◆ Breakdown of deferred income tax by major categories

	December 31st, 2010		December 31st, 2009	
	Asset	Liability	Asset	Liability
Temporary differences in respect of:				
– Deferred gains (losses)				
on available-for-sale securities	436	225	372	187
– Impairment provisions	544		344	
– Unrealized finance lease reserve		112		69
– Earnings of fiscally transparent (pass-through) companies		4		3
– Remeasurement of financial instruments	661	286	735	345
– Accrued expenses and accrued income	76	616	92	748
– Tax losses ^{1 2}	244		302	
– Insurance activities	39	232	112	371
– Other timing differences	10	112	100	129
Netting	- 648	- 648	- 725	- 725
Total deferred tax assets and liabilities	1,362	939	1,333	1,126

Deferred taxes are calculated using the liability method. For the French companies, the deferred tax rate is 34.43% (i.e. the standard tax rate).

1. Of which USA tax losses: 176 million euros in 2010 and 220 million euros in 2009.

2. Tax losses result in deferred tax assets inasmuch as their likelihood of realization is high.

Note 14 Accruals, other assets and other liabilities

	December 31st, 2010	December 31st, 2009
Accruals assets		
Collection accounts	479	612
Currency adjustment accounts	13	413
Accrued income	458	422
Other accruals	2,331	2,365
Sub-total	3,281	3,811
Other assets		
Securities settlement accounts	93	163
Miscellaneous receivables	11,838	12,165
Inventories and equivalent	33	33
Other	22	- 10
Sub-total	11,986	12,352
Other insurance assets		
Other	343	331
Sub-total	343	331
Total	15,610	16,495

Note 14b Accruals and other liabilities

	December 31st, 2010	December 31st, 2009
Accrual accounts liabilities		
Accounts unavailable due to collection procedures	464	698
Currency adjustment accounts	275	596
Accrued expenses	871	735
Other accruals	7,435	6,821
Sub-total	9,043	8,849
Other liabilities		
Securities settlement accounts	75	151
Outstanding amounts payable on securities	70	114
Miscellaneous payables	2,747	2,946
Sub-total	2,892	3,211
Other insurance liabilities		
Deposits and guarantees received	163	133
Other	0	0
Sub-total	163	133
Total	12,098	12,193

Note 15 Equity-accounted investments
Equity value and share of net income (loss)

	December 31st, 2010		December 31st, 2009	
	Equity method value	Share of net income (loss)	Equity method value	Share of net income (loss)
ACM Nord	17	1	17	3
ASTREE Assurance	21	3	16	2
Banca Popolare di Milano	174	1	131	9
Banque de Tunisie	49	7	46	8
Banque Marocaine du Commerce Extérieur	833	15		
CCCM	95	4	90	4
RMA Watanya	210	8	198	19
Royal Automobile Club de Catalogne	77	- 14	31	1
Other	4	1	- 13	- 16
Total	1,481	26	517	31

Note 16 Investment property

	December 31st, 2009	Additions	Disposals	Other movements	December 31st, 2010
Historical cost	1,264	126	- 1	- 370	1,019
Accumulated depreciation and impairment losses - 141		- 16	1	- 30	- 187
Net amount	1,123	110	0	- 400	832

The fair value of investment property carried at amortized cost was 1,162 million euros at December 31st, 2010.

Note 17 Property and equipment

	December 31st, 2009	Additions	Disposals	Other movements	December 31st, 2010
Historical cost					
Land used in operations	438	5	- 6	- 8	429
Buildings used in operations	3,450	195	- 72	46	3,620
Other	2,025	226	- 189	113	2,174
Total	5,914	425	- 268	151	6,223
Accumulated depreciation and impairment losses					
Land used in operations	- 1	0	0	0	- 1
Buildings used in operations	- 1,696	- 176	42	- 13	- 1,844
Other property and equipment	- 1,436	- 202	131	- 68	- 1,575
Total	- 3,133	- 378	173	- 81	- 3,419
Net	2,781	48	- 95	70	2,803
Of which leased under finance leases					
Land used in operations	51	0	- 45	0	6
Buildings used in operations	109	9	- 36	- 1	81
Total	160	9	- 81	- 1	87

Note 17a Intangible assets

	December 31st, 2009	Additions	Disposals	Other movements	December 31st, 2010
Historical cost					
Internally developed intangible assets	12	2	0	0	14
Purchased intangible assets	1,363	111	- 55	110	1,529
– <i>Software</i>	420	46	- 13	10	463
– <i>Other</i>	943	65	- 42	101	1,066
Total	1,375	113	- 55	110	1,544
Accumulated depreciation and impairment losses					
Purchased intangible assets	- 405	- 131	24	- 24	- 537
– <i>Software</i>	- 140	- 63	12	- 1	- 192
– <i>Other</i>	- 266	- 68	12	- 24	- 345
Total	- 405	- 131	24	- 24	- 537
Net	969	- 18	- 31	86	1,006

Note 18 Goodwill

	December 31st, 2009	Additions	Disposals	Other movements	December 31st, 2010
Goodwill gross	4,209	268	- 116		4,360
Accumulated impairment losses	- 124			- 45	- 169
Goodwill net	4,085	268	- 116	- 45	4,192

Subsidiaries	Goodwill at December 31st, 2009	Acquisitions	Disposals	Impairment charges/ reversals	Goodwill at December 31st, 2010
Banca Popolare di Milano ¹	41		- 41		0
Banco Popular Hipotecario		183			183
Banque de Luxembourg	13				13
Banque Transatlantique	6				6
CIC Iberbanco	15				15
CIC Private Banking – Banque Pasche	43	9			52
Cofidis Participation ²	389		- 11		378
Crédit Industriel et Commercial (CIC)	497				497
GPK Finance	5				5
IPO	21				21
Monabanq	17				17
NRJ Mobile	78				78
Targobank	2,760		- 3		2,757
Other ³	198	77	- 61	- 45	169
Total	4,085	268	- 116	- 45	4,192

Goodwill is reviewed at the end of the financial period to identify any permanent impairment. Depending on the particular situation, this review consists of:

- verifying that the price used for the most recent transaction is above the carrying amount, or
- verifying that the valuation assumptions at the acquisition date are still valid.

1. Reclassification of Banca Popolare di Milano's goodwill to "investments in associates".
2. Adjustment of goodwill relating to Cofidis due to a change in value.
3. Reclassification from investments in associates – insurance companies to investments in non-consolidated companies.

Note 19 Debt securities

	December 31st, 2010	December 31st, 2009
Retail certificates of deposit	574	406
Interbank instruments and money market securities	63,220	56,475
Bonds	30,567	29,898
Accrued interest	673	562
Total	95,035	87,341

Note 20 Insurance companies' technical reserves

	December 31st, 2010	December 31st, 2009
Life	56,983	53,215
Non-life	2,015	1,945
Unit of account	6,827	6,090
Other	193	196
Total	66,018	61,445

Note 21 Provisions

	December 31st, 2009	Additions	Reversals (provision used)	Reversals (provision non used)	Other movements	December 31st, 2010
Provisions for risks	411	160	- 49	- 79	10	453
Signature commitments	145	66	- 16	- 47	- 4	144
Financing and guarantee commitments	1				0	1
On country risks	2	18			0	20
Provisions for taxes	137	7	- 17	- 7	- 1	119
Provisions for claims and litigation ⁵	76	61	- 7	- 8	15	137
Provisions for risks on miscellaneous receivables	49	9	- 9	- 17	- 1	31
Other provisions for counterparty risks	1		- 1		1	1
Other provisions	600	360	- 61	- 55	19	863
Provisions for home savings accounts and plans	149	2	- 4	- 23	0	124
Provisions for miscellaneous contingencies	254	251	- 30	- 21	7	461
Other provisions	197	108	- 26	- 11	11	279
Provisions for retirement benefits	176	82	- 17	- 16	- 12	212
Retirement benefits, defined benefit and equivalent, excluding pension funds						
Retirement bonuses ¹	63	64	- 10	- 7	- 9	101
Supplementary retirement benefits	66	11	- 7	- 1	- 4	66
Long service awards (other long-term benefits)	37	4	0	- 8	0	33
Sub-total to statement of financial position	166	79	- 17	- 16	- 13	199
Supplementary retirement benefits, defined benefit, provided by Group's pension funds						
Provision for pension fund shortfalls ² <i>Fair value of assets</i>	10	2	0	0	1	13
Sub-total to statement of financial position	10	2	0	0	1	13
Total	1,187	602	- 127	- 150	17	1,529

◆ Assumptions

	December 31st, 2010	December 31st, 2009
Discount rate ³	4.0%	5.0%
Annual increase in salaries ⁴	Minimum 1.5%	3.0%

1. For the French banks, the provision for retirement bonuses equals the difference between the obligation and the amount insured with ACM (insurance companies of the CM5-CIC Group).

2. The provision for pension fund shortfalls only covers foreign entities.

3. The discount rate used is the return on long-term bonds issued by first-rate companies, estimated on the basis of the IBOXX index.

4. The annual increase in salaries includes the estimated effect of inflation. As from this financial period, it also takes into account employee seniority.

5. The Lehman Brothers receivables sold in the first half of 2010 were provisioned due to uncertainty as to their valuation. This was the main addition during the year.

◆ **Movements in provisions for retirement bonuses**

	December 31st, 2009	Discounted amount	Financial income	Cost of services performed
Commitments	240	10		23
Assurance contract	176		8	
Provisions	63	10	- 8	23

◆ **Provisions for home savings accounts and plans signature risk**

	December 31st, 2010	December 31st, 2009
Home savings plan outstandings		
Seniority between 0-4 years	5,477	4,025
Seniority between 4-10 years	4,426	4,588
Seniority over 10 years	4,231	4,394
Total	14,134	13,007
Savings account outstandings	2,424	2,358
Total home savings accounts and plans	16,557	15,365

Home savings loans

	December 31st, 2010	December 31st, 2009
Outstanding home savings loans recognized in statement of financial position (amount used to calculate risk provisions)	726	829

Provisions for home savings accounts and plans opening balance

	Opening balance	Net additions reversals	Other movements	Closing balance
On home savings accounts	48	(12)		36
On home savings plans	74	(8)		66
On home savings loans	26	(4)		22
Total	148			69

Analysis of provisions on housing savings plans by seniority

	Opening balance	Net additions reversals	Other movements	Closing balance
Seniority between 0-4 years	44			25
Seniority between 4-10 years	0			18
Seniority over 10 years	30			23
Total	74			66

Other costs, incl. past service	Actuarial gains (losses)	Payments to beneficiaries	Insurance premiums	Other	December 31st, 2010
9	71	- 28		7	331
		- 14	60		229
9	71	- 14	- 60	7	101

The CEL (home ownership savings accounts) and the PEL (home ownership savings plans) are French regulated products available to the clientele (physical persons). These products feature a remunerated savings phase that entitles the saver to a home loan in a second phase. They generate two types of commitments for the distributing establishment:

- a commitment to the future remuneration of the savings at a fixed rate (on the PEL only, as the rate of remuneration of CELs can be counted as variable rate, being periodically revised according to an indexation formula);
- a commitment to grant a loan to the customers who ask for one, at predetermined conditions (PEL and CEL).

These commitments have been estimated on the basis of behavioural statistics concerning the customers and market data.

A provision is constituted in the balance sheet liabilities in order to cover the future charges relating to the potentially unfavourable conditions of these products, compared to the interest rates offered to the clientele of private individuals for products that are similar, but not regulated in terms of remuneration. This approach is conducted by homogeneous generation in terms of regulated PEL and CEL conditions. The impacts on the results are entered among the interest paid to the clientele.

The decline of contingency reserves observed for this exercise is mainly due to the decrease of the scenarios of early future rates (determined by a model of rate Cox-Ingersoll-Ross).

Note 22 Subordinated debt

	December 31st, 2010	December 31st, 2009
Subordinated notes	5,182	4,284
Non-voting loan stock	54	156
Perpetual subordinated notes	1,695	1,695
Other debts	130	127
Accrued interests	94	94
Total	7,155	6,357

◆ Main subordinated debts issues

	Type
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
CIC	Equity
Banque Fédérative du Crédit Mutuel	TSS
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSS
Banque Fédérative du Crédit Mutuel	TSR

1. Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.

2. Non-amortizable, but reimbursable as the borrower wishes as from May 28th, 1997 at 130% of the nominal amount revalued by 1.5% per year for future years.

3. Rate 3-months Euribor rate + 25 base points.

Issue date	Amount issued	Amount at December 31st, 2010	Rate	Maturity
June 29th, 2001	50 million euros	50 million euros	5.40	June 29th, 2011
July 19th, 2001	700 million euros	700 million euros	6.50	July 19th, 2013
September 30th, 2003	800 million euros	800 million euros	5.00	September 30th, 2015
May 28th, 1985	137 million euros	137 million euros	¹	²
	1,600 million euros	1,600 million euros		not fixed
December 19th, 2006	1,000 million euros	1,000 million euros	³	December 19th, 2016
December 18th, 2007	300 million euros	300 million euros	5.10	December 18th, 2015
June 16th, 2008	300 million euros	300 million euros	5.50	June 16th, 2016
December 16th, 2008	500 million euros	500 million euros	6.10	December 16th, 2016
October 22th, 2010	1,000 million euros	1,000 million euros	4.00	October 22th 2020

Note 23 Shareholders' equity (excluding unrealized or deferred gains or losses)

	December 31st, 2010	December 31st, 2009
Capital stock, additional paid-in capital and reserves	5,139	4,918
– Capital	5,139	4,918
Consolidated reserves	13,698	12,626
– Regulated reserves	6	6
– Translation reserve	5	- 36
– Other reserves (including effects related to first application of standards)	13,616	12,595
– Retained earnings	70	59
Net income	1,961	1,194
Total	20,799	18,738

◆ Share capital of the Caisses de Crédit Mutuel

The Caisses de Crédit Mutuel have a share capital consisting of:

- unassignable "Parts A" type shares,
- marketable "Parts B" type shares,
- "Parts P" type priority interest-bearing shares.

"Parts B" may only be subscribed by members holding at least one "Part A". The articles of association of the local Caisses limit the subscription of "Parts B" per member to 35,000 euros (with the exception of the reinvestment of dividends paid in "Parts B"). The capital may not be less, following the withdrawal of contributions, than one quarter of the highest amount reached by the capital in the past. If this limit were to be reached, the reimbursement of the shares would be suspended.

The "Parts B" repurchase system differs according to whether they were subscribed before or after December 31st, 1988:

- shares subscribed before December 31st, 1988 may be reimbursed at the member's request for the January 1st, of each year. This reimbursement, which takes place subject to compliance with the regulations concerning the reduction of the capital, is subject to at least 3 months' notice;

- shares subscribed after January 1st, 1989 may be reimbursed at the member's request with 5 years' notice, except in the event of marriage, death or unemployment. These operations are also subject to compliance with the regulations concerning the reduction of the capital.

The Caisse may, after a decision by the Board of Directors and in agreement with the Supervisory Board, and in the same conditions, reimburse all or a part of the shares in this category.

Moreover, the Caisse Crédit Mutuel "Cautionnement Mutuel de l'Habitat", a mutual loan security company, has been issuing priority interest-bearing shares known as "Parts P" since 1999. The subscription of "Parts P" is reserved for the distributors of secured loans outside the Centre Est Europe Group.

At December 31st, 2010, the capital of the Caisses de Crédit Mutuel broke down as follows:

- 133.2 million euros of "Parts A" type shares, as against 130.1 million euros on December 31st, 2009,
- 4,915.5 million euros of "Parts B" type shares, as against 4,708.6 million euros on December 31st, 2009,
- 90.7 million euros of "Parts P" type shares, as against 79.2 million euros on December 31st, 2009.

Note 23a Unrealized or deferred gains and losses

	December 31st, 2010	December 31st, 2009
Unrealized or deferred gains and losses ¹ relating to:		
Available-for-sale assets		
– equities	437	475
– bonds	- 651	- 418
Cash flow hedging derivatives	- 89	- 43
Share of unrealized or deferred gains and losses of affiliates	4	- 1
Total	- 298	13
Attributable to equity holders of the parent company	- 291	- 4
Non-controlling interests	- 7	17

1. Net of tax.

Note 23b Recycling of gains and losses recognized directly in equity

	December 31st, 2010	December 31st, 2009
	Movements	Movements
Translation adjustments		
Reclassification in income	0	0
Other movements	0	- 23
Sub-total	0	- 23
Remeasurement of available-for-sale financial assets		
Reclassification in income	- 131	632
Other movements	- 139	673
Sub-total	- 270	1,304
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	- 45	- 31
Sub-total	- 45	- 31
Share of unrealized or deferred gains and losses of affiliates	4	0
Total	- 311	1,251

Note 23c Tax on components of gains and losses recognized directly in equity

	Movements 2010			Movements 2009		
	Gross amount	Tax Net	Net amount	Gross amount	Tax Net	Net amount
Translation adjustments	0	0	0	- 23	0	- 23
Remeasurement of available-for-sale financial assets	- 316	47	- 270	1,750	- 446	1,304
Remeasurement of hedging derivatives	- 46	0	- 45	- 30	- 1	- 31
Share of unrealized or deferred gains and losses of affiliates	4	0	4	9	- 8	0
Share of unrealized or deferred gains and losses of affiliates	- 358	47	- 311	1 706	- 455	1,251

Note 24 Commitments given and received

◆ Commitments given

	December 31st, 2010	December 31st, 2009
Financing commitments		
To credit institutions	1,721	1,473
To customers	49,014	43,860
Guarantee commitments		
To credit institutions	6,217	4,200
To customers	10,765	13,917
Commitments on securities		
Other commitments given	892	1,170
Commitments given by insurance business line	324	337

◆ Commitments received

	December 31st, 2010	December 31st, 2009
Financing commitments		
From credit institutions	22,810	14,754
Guarantee commitments		
From credit institutions	27,890	19,931
From customers	5,446	6,275
Commitments received on securities		
Other commitments received	601	547
Commitments received by insurance business line	7,766	7,513

Note 25 Interest income, interest expense and equivalent

	December 31st, 2010		December 31st, 2009	
	Income	Expense	Income	Expense
Credit institutions and central banks	1,232	- 1,149	1,722	- 1,790
Customers	12,300	- 4,700	12,162	- 4,666
– including finance leases and operating leases	2,602	- 2,284	2,295	- 1,972
Hedging derivatives	2,430	- 3,080	1,847	- 2,328
Available-for-sale financial assets	644		732	
Held-to-maturity financial assets	170		252	
Debt securities		- 1,592		- 2,032
Subordinated debts		- 65		- 211
Total	16,776	- 10,586	16,714	- 11,027

Note 26 Fees and commissions

	December 31st, 2010		December 31st, 2009	
	Income	Expense	Income	Expense
Credit institutions	22	- 6	11	- 6
Customers	1,055	- 13	983	- 19
Securities	771	- 60	738	- 85
– of which funds managed for third parties	519		499	
Derivatives	5	- 20	6	- 9
Foreign exchange	21	- 4	17	- 4
Financing and guarantee commitments	51	- 9	45	- 8
Services provided	1,737	- 791	1,653	- 757
Total	3,662	- 903	3,453	- 890

Note 27 Net gains on financial instruments at fair value through profit or loss

	December 31st, 2010	December 31st, 2009
Trading derivatives	- 159	569
Instruments accounted for under the fair value option	115	- 140
Ineffective portion of hedging instruments	55	- 54
– Cash flow hedges	2	- 1
– Fair value hedges	53	- 54
Change in fair value of hedged items	30	608
Change in fair value of hedging items	23	- 661
Foreign exchange gains (losses)	64	70
Total movements in fair value	75	444

Note 28 Net gains on available-for-sale financial assets

	December 31st, 2010			
	Dividends	Realized gains (losses)	Impairment	Total
Government securities, bonds and other fixed-income securities		92	0	92
Equities and other variable-income securities	7	12	- 19	1
Long-term investments	49	9	- 27	31
Other	0	2	0	2
Total	56	116	- 46	125

December 31st, 2009				
	Dividends	Realized gains (losses)	Impairment	Total
Government securities, bonds and other fixed-income securities		- 72	0	- 72
Equities and other variable-income securities	11	13	- 5	19
Long-term investments	73	0	- 39	34
Other	0	5	0	5
Total	85	- 54	- 44	- 14

Note 29 Income and expense from other activities

	December 31st, 2010	December 31st, 2009
Other income		
Insurance contracts	11,355	10,501
– <i>earned premiums</i>	8,916	7,884
– <i>net investment income</i>	2,386	2,578
– <i>technical and non-technical income</i>	53	40
Investment property	1	1
– <i>gains on disposal</i>	1	1
Expenses rebilled	6	6
Other income	1,287	582
Sub-total	12,648	11,091
Other expense		
Insurance contracts	- 9,913	- 9,310
– <i>paid benefits and claims</i>	- 5,256	- 5,012
– <i>movements in provisions</i>	- 4,680	- 4,292
– <i>technical and non-technical expense</i>	22	- 6
Investment property	- 21	- 19
– <i>net movements in depreciation and provisions (based on the accounting method selected)</i>	- 20	- 19
– <i>losses on disposal</i>	- 1	0
Other expenses	- 976	- 320,13
Sub-total	- 10,910	- 9,649
Other income and expense net	1,738	1,441

Note 30 Operating expenses

	December 31st, 2010	December 31st, 2009
Payroll costs	- 3,606	- 3,278
Other expenses	- 2,750	- 2,670
Total	- 6,356	- 5,949

Note 30a Payroll costs

	December 31st, 2010	December 31st, 2009
Salaries and wages	- 2,263	- 2,093
Social security charges	- 893	- 756
Employee benefits	- 8	- 10
Incentive bonuses and profit-sharing	- 221	- 223
Payroll-related taxes	- 217	- 193
Other expenses	- 5	- 3
Total	- 3,606	- 3,278

◆ Average number of employees

	December 31st, 2010	December 31st, 2009
Banking staff	34,579	32,709
Management	18,601	17,885
Total	53,180	50,594
Analysis by country		
France	43,206	41,431
Rest of the world	9,974	9,163
Total	53,180	50,594

Includes 252 employees of Banco Popular Hipotecario, consolidated using the proportional method.

	December 31st, 2010	December 31st, 2009
Consolidated average number of employees (FTE)	53,180	50,594
Number of employees at end of period ¹	57,991	55,908

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 31st. In contrast, the consolidated average number of employees full-time is limited to the scope of financial consolidation (full or proportional consolidation).

Note 30b Other operating expenses

	December 31st, 2010	December 31st, 2009
Taxes and duties	- 228	- 283
External services	- 1,940	- 1,832
Other miscellaneous expenses (transportation, travel, etc.)	- 71	- 112
Total	- 2,239	- 2,227

Note 30c Depreciation, amortization and provisions for impairment of property, equipment and intangible assets

	December 31st, 2010	December 31st, 2009
Depreciation and amortization	- 509	- 443
– <i>property and equipment</i>	- 380	- 355
– <i>intangible assets</i>	- 129	- 88
Impairment provisions	- 1	0
– <i>property and equipment</i>	- 1	0
– <i>intangible assets</i>	- 1	0
Total	- 510	- 443

Note 31 Net additions to/reversals from provisions for loan losses

◆ December 31st, 2010

	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	- 131	321	- 116	- 1	0	73
Customers	- 1,704	1,451	- 554	- 540	65	- 1,282
– Finance leases	- 3	2	- 2	- 5	1	- 6
– Other	- 1,701	1,449	- 552	- 535	64	- 1,276
Sub-total	- 1,835	1,772	- 670	- 541	65	- 1,209
Held-to-maturity investments	- 12	0	0	0	0	- 12
Available-for-sale investments	0	1	- 83	- 38	0	- 120
Other	- 75	146	- 37	0	1	35
Total	- 1,921	1,919	- 790	- 579	66	- 1,305

◆ December 31st, 2009

	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	- 220	8	0	- 1	0	- 213
Customers	- 1,997	960	- 450	- 365	109	- 1,744
– Finance leases	- 1	4	- 1	- 4	0	- 3
– Other customer items	- 1,996	956	- 449	- 362	109	- 1,741
Sub-total	- 2,217	968	- 450	- 366	109	- 1,957
Held-to-maturity financial assets	0	102	- 105	0	0	- 4
Available-for-sale financial assets	0	105	- 95	- 14	0	- 4
Other	- 92	67	0	0	2	- 22
Total	- 2,309	1,242	- 650	- 380	111	- 1,987

Note 32 Net gain on disposals of other assets

	December 31st, 2010	December 31st, 2009
Property, equipment and intangible assets	16	9
– Losses on disposals	- 23	- 25
– Gains on disposals	39	35
Gain on consolidated securities sold	0	0
Total	16	9

Note 33 Change in value of goodwill

	December 31st, 2010	December 31st, 2009
Impairment of goodwill	- 45	- 124
Negative goodwill recognized in income	0	0
Total	- 45	- 124

Note 34 Income tax

◆ Breakdown of income tax expense

	December 31st, 2010	December 31st, 2009
Current taxes	- 1,055	- 728
Deferred taxes	151	50
Adjustments in respect of prior years	20	10
Total	- 884	- 668

◆ Reconciliation between the income tax expense recognized in the financial statements and the theoretical income tax expense

	December 31st, 2010	December 31st, 2009
Taxable income	3,199	2,072
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	- 1,101	- 713
Impact of specific SCR and SICOMI tax regime	55	5
Impact of the reduced rate on long-term capital gains	34	16
Impact of specific tax rate of foreign entities	- 4	3
Permanent differences		
Other ¹	133	21
Income tax	- 884	- 668
Effective tax rate	27.63%	32.25%

1. Of which 121 million euros relating to the new tax rate applicable to the capitalization reserve introduced by the French State Budget for 2011.

Note 35 Fair value of financial instruments entered into the accounts at the depreciated cost

The fair values presented are an estimation based on the observable parameters at December 31st, 2010. They are calculated by discounting future flows estimated on the basis of a risk-free rate curve to which is added for the calculation of the assets a credit spread calculated for the whole of the CM5-CIC Group and reviewed each year.

The financial instruments presented in this information are the lending and borrowing. They do not include non-monetary items (shares), supplier accounts and the accounts of other assets, other liabilities and the elimination accounts. Non-financial instruments are not concerned by this information.

The fair value of the financial instruments payable on sight and regulated savings contracts of the clientele is the value payable to the client, that is to say its book value.

Some entities in the Group may also apply hypotheses: the market value is the book value for contracts whose conditions refer to a variable rate or whose residual duration is one year or less.

We draw your attention to the fact that, apart from the financial assets held to maturity, the financial instruments entered into the accounts at the depreciated cost are not transferable or in practice are not sold before their maturity. As a result, the capital gains or losses are not recognised.

If, however, the financial instruments entered into the accounts at the depreciated cost were to be sold, the price of that sale might differ significantly from the fair value calculated at December 31st, 2010.

	December 31st, 2010		December 31st, 2009	
	Carrying amount	Market value	Carrying amount	Market value
Assets				
Loans and receivables due from credit institutions	40,113	38,103	38,668	36,156
Loans and receivables due from customers	229,304	230,419	218,017	215,249
Held-to-maturity financial assets	10,733	11,076	9,101	9,247
Liabilities				
Amounts due to credit institutions	27,850	27,792	40,542	40,304
Amounts due to customers	163,467	160,013	149,740	144,065
Debt securities	95,035	94,713	87,341	86,467
Subordinated debt	7,155	7,747	6,357	6,534

Note 36 Related party transactions

◆ Statement of financial position items relating to related party transactions

	December 31st, 2010			December 31st, 2009	
	Companies consolidated by equity accounting	Companies consolidated using the equity method	Confédération nationale	Companies consolidated by equity accounting	Confédération nationale
Assets					
Loans, advances and securities					
– <i>Loans and receivables due from credit institutions</i>	3,140	0	6,858	4,708	7,293
– <i>Loans and receivables due from customers</i>	0	0	63	0	36
– <i>Securities</i>	24	0	182	107	325
Other assets	0	0	0	0	0
Total	3,164	0	7,104	4,815	7,654
Liabilities					
Deposits					
– <i>Due to credit institutions</i>	2,888	15	2,404	5,444	2,011
– <i>Due to customers</i>	0	0	58	0	37
– <i>Debt securities</i>	5	0	692	5	826
Other liabilities	0	0	304	0	266
Total	2,893	15	3,458	5,449	3,139
Financing and guarantee commitments					
Financing commitments given	0	0	0	0	0
Guarantee commitments given	0	0	1,486	0	1,290
Financing commitments received	0	0	25	0	0
Guarantee commitments received	0	0	333	0	54

◆ Éléments de résultat relatifs aux opérations réalisées avec les parties liées

	December 31st, 2010			December 31st, 2009	
	Companies consolidated by equity accounting	Companies consolidated using the equity method	Confédération nationale	Companies consolidated by equity accounting	Confédération nationale
Interest received	82	0	199	165	232
Interest paid	- 37	0	- 35	- 94	- 30
Fee and commissions received	0	0	21	0	7
Fee and commissions paid	0	0	- 21	0	- 20
Other income (expenses)	14	0	- 243	- 48	- 26
General and administrative expenses	0	0	- 17	0	- 17
Total	59	0	- 97	23	146

The Confédération Nationale included Crédit Mutuel's regional federations not associated with the CMCEE 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, the amounts include the proportion of intercompany transactions not eliminated on consolidation.

Note 36 Relations with the Group's main directors

The remuneration paid to the senior management of the Group includes a share relating to their activities within Crédit Mutuel and CIC. It may be made up of a fixed part and a variable part. The remuneration is set by the deliberating bodies on the basis of the suggestions of the remuneration committees of the relevant boards of directors. The senior management of the Group may also be covered by collective provident schemes and top-up pension funds set up for all Group employees.

No capital security or access to the capital or the right to acquire capital securities of the entities under control has been allocated to them. Also, they do not receive directors' fees for their directorships, whether in Group companies or in other companies, but because of their position in the Group. Besides, senior Group management may hold

assets or loans in the books of Group banks, on the terms offered to all staff.

As part of that, the overall amount of the remuneration and pay of all natures collected by the seven senior Group managers was 5,736,000 euros in 2010.

Note 37 Events after the closure of the accounts and other information

The consolidated financial statements of CM5-CIC Group for the year ending December 31st, 2010 were closed by the Board of Directors on February 25th, 2011.

Note 38 Exposure to risks

The information relating to the exposure to risks required by IFRS 7 is presented in chapter 4 on risks in the management report.

Note 40 Statutory auditors' fees

In thousands of euros	Ernst & Young			
	Amount 2010	Amount 2009	Percentage 2010	Percentage 2009
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	141	73	4%	2%
– Fully consolidated subsidiaries	2,810	3,018	88%	94%
Other assignments and services directly related to the statutory audit				
– BFCM		2	0%	0%
– Fully consolidated subsidiaries	157	53	5%	2%
Sub-total	3,108	3,146	97%	98%
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related			0%	0%
– Other	99	64	3%	2%
Sub-total	99	64	3%	2%
Total	3,207	3,210	100%	100%

In thousands of euros	KPMG AUDIT			
	Amount 2010	Amount 2009	Percentage 2010	Percentage 2009
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	100	98	2%	2%
– Fully consolidated subsidiaries	3 601	3,214	61%	72%
Other assignments and services directly related to the statutory audit				
– BFCM		6	0%	0%
– Fully consolidated subsidiaries	260	57	4%	1%
Sous-total	3,961	3,375	67%	76%
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related	315	7	5%	0%
– Other	1,644	1,066	28%	24%
Sous-total	1,959	1,073	33%	24%
Total	5,920	4,448	100%	100%

The total amount of the auditing fees paid to the statutory auditors not belonging to the network of one of those certifying the consolidated and individual financial statements of the CM5-CIC Group mentioned in the table above, amounts to 7,458 thousand euros for the 2010 financial year.

Statutory
auditors'
report on
the consolidated
accounts



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

Statutory Auditor
Member of the Regional Company of Versailles

Ernst & Young & Autres
41, rue Ybry
92576 Neuilly-sur-Seine Cedex
S.A.S. à capital variable

Statutory Auditors
Member of the Regional Company of Versailles

CM5-CIC Group
Year ended December 31st, 2010

Statutory auditors' report on the consolidated accounts

The Shareholders, Dear Sirs,

In compliance with the assignment entrusted to us by your General Meeting, we hereby present our report relating to the financial year ending December 31st, 2010 on:

- the examination of the consolidated financial statements of the CM5-CIC Group, as they are enclosed with this report;
- the justification of our appreciations;
- the specific checks required by law.

The consolidated 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.

Opinion on the consolidated financial statements

We have conducted our audit in accordance with the professional standards applied in France. Those standards requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. We certify that in our opinion, the financial statements give, in accordance with the IFRS standards as adopted in the European Union, a true and fair view of the results of the operations of the past financial year as well as of the financial position and assets and liabilities of the persons and entities making up the Group at the end of this financial year.

Justification of assessments

It is in this context that in application of the provisions of Article L. 823-9 of the Commercial Code relating to the justification of our comments, we hereby inform you of the following facts:

Against the background of financial markets that continue to be highly volatile and an environment that is still uncertain, your Group uses internal models and methodologies for valuing financial instruments that are not handled in active markets, and for constituting provisions, as described in notes 1 and 12 of the appendix. We have examined the control system applicable to these models and methodologies, the parameters used and the list of financial instruments to which they apply.

- Your Group uses internal models and methodologies for the valuation of the financial instruments which are not treated on active markets, as well as for the constitution of certain reserves, such as described in notes 1 and 12 the notes. We have examined the system of control relating to the determination of the inactive nature of the market, the checking of the models and the determination of the parameters used.

- Your Group has tested the diminution in value of goodwill, which has led, where applicable, to the entering of diminutions in value in this fiscal year (notes 1 and 18 of the appendix). We have examined the modalities of implementation of the tests, the main hypotheses and parameters used, and the estimations that have led, where applicable, to the hedging of the loss of value through diminutions.

- Your Group records depreciation on assets available for sale when there is an objective indication of a prolonged or significant fall in the value of these assets (notes 1 and 7 in the notes). We have examined the system of control relating to the identification of value loss indices, the valuation of the most significant lines, as well as the estimations that led, where applicable, to the coverage of the value losses by depreciation.

- Your Group constitutes depreciation and provisions to cover the credit risks inherent in its business (notes 1, 8, 21 and 31 in the notes). We have examined the system the follow-up to the tracking of credit risks, the appreciation of non-collection risks and the hedging of the same by diminution in value and individual and collective provisions.

- Your company has entered deferred tax assets into its accounts, particularly in respect of tax deficits that may be carried forward (notes 1 and 13 of the appendix). We have examined the main estimations and hypotheses that have led to the recognition of these deferred taxes.

The comments thus made fall within the framework of our audit of the consolidated financial statements, taken as a whole, and have therefore contributed to the forming of our opinion expressed in the first part of this report.

Specific verification

We also proceeded, in accordance with the standards of professional practice applicable in France, the specific verification required by the law on the information contained in the Group's management report.

We have no comment as to its fair presentation and its conformity with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, April 26th, 2011
The Statutory Auditors

KPMG Audit
Département de KPMG S.A.

Arnaud Bourdeille

Ernst & Young & Autres

Isabelle Santenac

Caisse Fédérale de Crédit Mutuel
34, rue du Wacken – 67913 STRASBOURG CEDEX 9
Tél. : 03 88 14 88 14 – Télécopieur : 03 88 14 67 00