CM10-CIC GROUP
CONSOLIDATED FINANCIAL STATEMENTS
2011

Crédit Mutuel
LA banque à qui parler

Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Dauphiné-Vivarais, Centre, Loire-Atlantique et Centre-Ouest, Méditerranéen, Normandie and CIC

2011 Consolidated statements

Key figures 2

Annual report 5

Risks management 30

Information on Basel II pillar 3.. 55

Consolidated financial statements 75

Notes to the consolidated financial statements 84

Statutory auditors’ report 153

This is a free translation into English of the statutory auditors’ report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors’ report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information in the Group management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Key figures

Key figures

(in millions of euros)

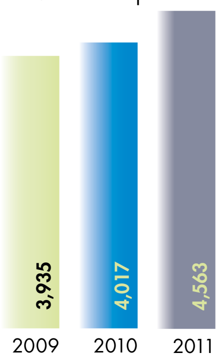
◆ Group CM10-CIC key figures at December 31st, 2011

	2011	2010	Variation in euros	Variation in %
Activity				
Total assets	468,333	434,262	34,071	7.8%
Net loans to customers [1]	263,906	229,304	34,601	3.5% [3]
Assets under management and held in custody [2]	459,009	430,394	28,615	- 0.2% [3]
– of which customer deposits [2]	193,645	154,477	39,168	10.4% [3]
– of which life insurance savings	62,354	61,345	1,009	1.6%
– of which financial savings (including custody assets)	203,010	214,572	- 11,562	- 6.0% [3]
Equity				
Shareholders' equity and deeply subordinated notes	27,882	25,527	2,355	
Tier one solvency ratio	11.0%	10.8%		
Employees (end of period) [4]	65,174	56,171		
Number of points of sale	4,563	4,017		
Number of customers	22,908,363	21,617,049		
Consolidated profit and loss account				
Net banking income	11,053	10,889		
Operating expenses (including depreciation)	- 6,942	- 6,356		
Gross operating income	4,111	4,533		
Cost of risk	- 1,456	- 1,305		
Operating income	2,656	3,228		
Net gains/losses other assets and income/loss from associates	62	- 3		
Result before tax	2,718	3,225		
Income tax	- 913	- 884		
Net income	**1,805**	**2,341**		
Net income attributable to the Group	**1,623**	**1,961**		

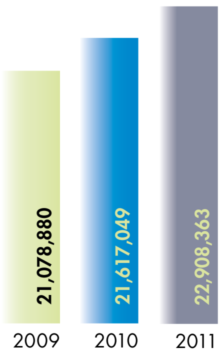
Consolidated results of Caisses de Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranéen, their common Caisse fédérale, Banque Fédérative du Crédit Mutuel and its main subsidiaries: ACM, BECM, information technology entities, CIC, Targobank Germany, Cofidis, CIC Iberbanco, Targobank Spain (formerly Banco Popular Hipotecario), Banque Casino.

1. Including leasing.
2. SFEF issues are not taken into account in customer deposits.
3. Growth on a comparable basis excluding entities consolidated for the first time: new Federations, Banque Casino, France Est, Est Républicain and Euro Protection Surveillance.
4. Workforce of entities under the control of the Group.

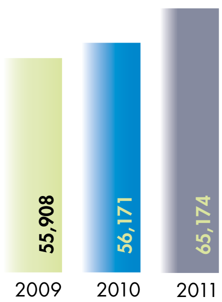
■ Number of point of sale



■ Number of customers



■ Workforce (end of period)



Group annual report

2011: Market puts sovereign debt to the test

After 2010 which saw economic activity recover, the world economy again reached a standstill in 2011. The shock generated when the United States' housing bubble burst in 2007 continues to produce waves of successive crises: the sub-prime loan debacle and structural financial imbalances first spread to the financial sector before reaching the real economy in 2008 and, in the latest episode, have compromised the solvency of sovereign states which have increased their public deficits to record levels.

2011 will therefore be remembered as the year of successive plans to help Greece. It rapidly became clear at the start of the year that the first support mechanism agreed in April 2010 would be insufficient, and it resulted in a second plan in July, then another in October, with the latter depending on some of the Greek sovereign debt being voluntarily written off by private creditors and culminating in the Greek State's default on its debts becoming official in 2012.

This unfolding story with many twists and turns will have been the cause of repeated tensions in Europe with the markets starting to doubt the ability of States considered the most vulnerable to reimburse their debts, and thrust into a vicious circle of share interest rates on their public debt periodically rising, exacerbating the decline in their budgetary situation and the burden of public debt. In order to address this situation, the last 2011 European Council resulted in a budget stability pact being concluded, which should strengthen Brussels' powers of intervention over national budgets before they are voted and could impose more automatic sanctions than previously if the stability pact is not adhered to. It also provides for a "golden rule" to be adopted in all European Constitutions, to force sovereign states to balance their budgets.

European States have not been the only ones to suffer from their budgetary situation and fears concerning their solvency: American public debt climbed past the symbolic threshold of 15,000 billion dollars in 2011, overtaking the country's annual GDP. At the beginning of August, the United States' triple-A credit rating was withdrawn by Standard and Poor's, owing to political indecision on the part of Democrats and Republicans concerning the measures to be taken to rebalance the public finances in order to raise the debt ceiling.

In Asia, China continues to show indicators of apparently good financial health, with 9.2% growth in foreign reserves of 3,000 billion dollars and public debt limited to 27% of GDP. The country nevertheless shows some Achilles' heel symptoms giving rise to fears that it is not completely protected from a future financial crisis. Boosted by weak rates and political will, bank credit rose by 60% in the two years following 2008 causing a rise in real estate prices until a speculative bubble was in all probability created. China's banking sector's exposure to real estate now represents over 20% of GDP and price deflation may threaten the stability of the banking system which is considered to be vulnerable.

In the Eurozone, the economic climate has strengthened Germany's central role in European governance and France has no real choice other than to comply, considering its modest performance with respect to growth, public deficit and agency ratings, compared with its neighbour on the other side of the Rhine. In response to the steep decline in growth in France, the government had to take additional emergency economic measures during the year in order to reach the target of reducing the deficit to 5.7% of GDP in 2011 and to 4.5% in 2012. Following a first austerity plan amounting to 12 billion euros in August, the Prime Minister presented a second savings plan in November for 2012 amounting to 7 billion euros. This effort is generally considered to be inadequate if France's growth continues to stagnate, as a number of economists forecast.

Finally, the 2011 annual report would not be complete without mentioning the natural disaster which struck Japan on March 11st, the day when the country was hit by a huge tsunami which destroyed a large part of the country's coast, causing 20,000 deaths and devastating whole regions. Fukushima nuclear power plant was damaged by the earthquake, causing a nuclear catastrophe the impact of which on the population's health still remains uncertain and which again focuses public debate on the subject of nuclear safety.

Financial sector: a move towards credit rationing in Europe?

Fingers had been pointed to the excesses of the financial industry as one of the factors of the crisis and the G20 group of nations had asked the Basel Committee to suggest measures to set up a more restrictive prudential regulatory framework for the banking sector. This work resulted in a range of measures called "Basel III". Discussions about the effects and conditions of implementing this mechanism intensified in 2011 with the rise in financial tensions within the Eurozone. As a result, the European Banking Authority completely changed the initially planned schedule, by requesting that by mid 2012 banks comply with new ratios of equity capital at a level well over the minimum requirements of Basel III.

This early application can only result in a slowing down of loan production, the capacity to mobilize new equity capital being naturally limited at such a scale. However, banks are always faced with diverse, contradictory requests from public authorities, such as to continue to provide the economy with substantial, long-term finance at low rates by refinancing themselves in the short-term, and also increasing their equity capital, and they are also encouraged by the regulations to finance sovereign states, even if the latters' solvency may appear doubtful. These requirements are clearly incompatible with each other.

There are also concerns that reinforcing the regulations focusing on banks alone may not have addressed the real challenges emerging from the crisis (the French banking model having resisted quite well) and that it will, paradoxically, work in favour of the *modus operandi* of non-regulated, parallel banking systems, so-called "shadow banking", which are currently still unregulated on either side of the Atlantic, despite the fact that they played a central role in causing and propagating the 2007/2008 crisis.

The CM10-CIC Group: moving ahead with its expansion with new partnerships in action and reaffirming its financial solidity

Simplified organisation of the CM10-CIC Group

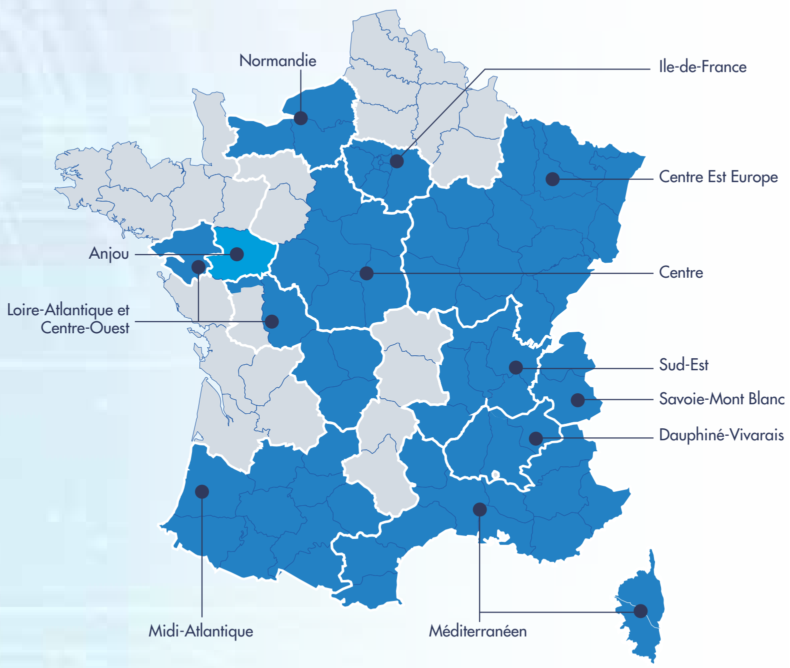
The CM10-CIC Group is composed of:

– the regulatory perimeter (the mutualist sector or Crédit Mutuel 10 Group or CM10 Group) comprising the Federations of Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Centre, Dauphiné-Vivarais, Loire-Atlantique et Centre-Ouest, Méditerranéen, Normandie, Caisses de Crédit Mutuel which are members of their respective Federations and the Caisse Fédérale de Crédit Mutuel; this group holds 99% of the Banque Fédérative du Crédit Mutuel;

– the Banque Fédérative du Crédit Mutuel (BFCM), a holding of the Group, which holds in particular 93% of Crédit Industriel et Commercial and also carries out corporate financing and market activities;

– the Crédit Industriel et Commercial (CIC), a holding company of the CIC Group and network head bank, which is also a regional bank in the Ile-de-France and which carries out investment, corporate financing and market activities;

– specialised establishments by business sector both in France and abroad.



CM10-CIC Group

Retail banking

Banking networks

- Groupe Crédit Mutuel 10
  - Caisse Fédérale de Crédit Mutuel
  - Caisses de Crédit Mutuel
- Groupe CIC
  - CIC Ile-de-France
  - Banques régionales
- Banque de l'Économie du Commerce et de la Monétique
- CIC Iberbanco
- TARGOBANK (Allemagne)
- TARGOBANK (Espagne)

Specialized products and services

- Groupe Cofidis Participations
- Groupe SOFEMO
- Banque CASINO
- CM-CIC Factor
- CM-CIC Bail
- CM-CIC Lease
- CM-CIC Asset Management
- CM-CIC Epargne salariale
- Crédit Mutuel-CIC Home Loan SFH

Insurance

- Groupe des Assurances du Crédit Mutuel

Finance banking

- BFCM -CIC Grandes Entreprises
- CIC Financements spécialisés
- CIC Activités internationales Succursales étrangères

Market activities

- CM-CIC Marchés
- CM-CIC Securities

Private banking

- CIC Banque privée
- Groupe Banque Transatlantique
- Dubly Douilhet
- Banque CIC Suisse
- Banque de Luxembourg

Private equity

- CM-CIC Capital Finance

Logistics and holding

- Euro Information
- GIE CM-CIC Titres
- GIE CM-CIC Services
- NRJ Mobile
- Euro Protection Surveillance

Activities [1]

2011 was the first year in which the added value of the association of Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc and Midi-Atlantique through membership of five new Federations (Centre, Normandie, Loire-Atlantique and Centre-Ouest, Méditerranéen and Dauphiné-Vivarais) was experienced fully. These Federations share a common financial and technical tool, the Caisse Fédérale de Crédit Mutuel, which serves the network of Crédit Mutuel branches.

This union will be further enlarged, because Crédit Mutuel Anjou joined the Group on January 1st, 2012, leading to the formation of the CM11-CIC Group. With the addition of Crédit Mutuel Anjou, 158,000 members, 451 elected representatives and 698 employees are joining the new group.

Moreover, in 2011 the Group also extended its business and scope of operation in neighbouring countries, particularly Spain with the creation of the Targobank network with Banco Popular. It also strengthened its ties with the retail sector by marketing financial products through Banque Casino in the framework of a partnership on an equal footing signed with Casino Group.

The whole group, whose core business is retail banking, continued to improve the quality of its network which now numbers 4,563 banks and branches (including 543 for the new member Federations).

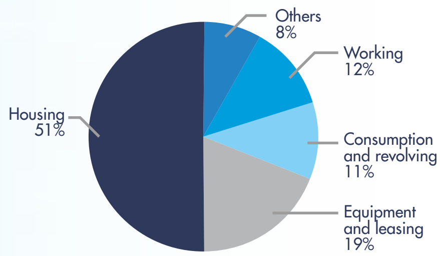
The commitment of all members of staff, who are attentive to the needs of their members and customers and enjoy their renewed confidence, enabled the bank to best serve its clientele of private individuals, associations, professionals and businesses (the Group is now the bank to one in three businesses), and this was reflected in:

– an increase in customer numbers to a total of 22.9 million (including 1.9 for the new Federations);
– a 34.6 billion euros rise in customer loans outstanding (up 3.5% on a like-for-like basis) to 263.9 billion euros, boosted by investment loans (up 10.7%), and housing loans (up 3.2%);
– a 39.1 billion euros increase in deposits (up 10.4%) to 193.6 billion euros;
– 2.43 million new insurance policies (up 11.1%), including 1.6 million from Cofidis, raising the total portfolio to 24.36 million policies.

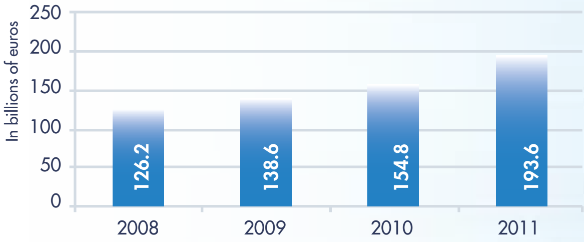
1. For the following parties and unless otherwise stated, figures are from the contribution to the consolidated financial statements under IFRS.

Evolution in customer net loans

Structure of net loans to customers (2011)

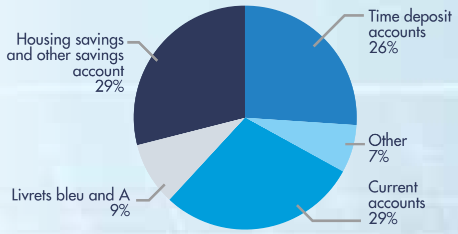


Evolution in customer deposits



Customer deposits excluding SFEF.

Structure of customer deposits (2011)



Customer loans outstanding in retail banking increased by 33.8 billion euros, raising total outstandings to 240 billion euros (up 3.5%). Deposits grew by 12.7% to more than 170 billion euros. With 22.4 billion euros of gross loans outstanding, the results of new subsidiaries (Targobank Germany, Targobank Spain, Cofidis and Banque Casino) were steady, despite new regulatory constraints and the tough economic climate.

Loans outstanding in the corporate banking activity totalled 15.5 billion euros, and in the private banking activity 7.1 billion euros.

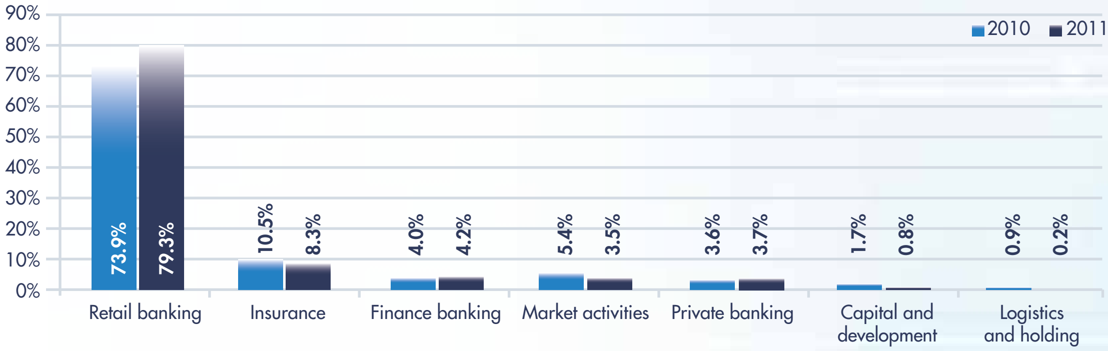
Drawing on its expertise, particularly in technology, the Group strengthened its position in the fields of e-money, payment processing and mobile telephony. This is opening up a number of new opportunities to satisfy consumers' requirements and generate additional revenues.

Financial results

Total net banking income was 11,053 million euros compared with 10,889 million euros in 2010. Revenues from the Group's new member federations and the net banking proceeds generated by Banque Casino (6 months) and Targobank Spain were 977 million euros. Overheads fell by 0.3% on a like-for-like basis, with the rise from 6,356 million euros to 6,942 euros resulting exclusively from the change in consolidation scope.

The cost of risk amounted to 1,456 million euros on December 31st, 2011 against 1,305 million in 2010 (up 6.7% on a like-for-like basis). The net increase in absolute terms of 151 million euros has three major causes:

Distribution of net banking income by business



Before elimination of reciprocal activities.

– provision for our exposure to Greek debt of 451 million euros;
– the considerable withdrawal of the cost of risk for private banking and in particular for retail banking amounting to -364 million euros;
– the cost of new risk associated with expanding the perimeter of 64 million euros.

As the CM10-CIC Group had recorded a charge of 451 million euros in respect of its portfolio of Greek sovereign securities as well as an adjustment charge of 58 million euros in respect of Greek securities in transaction portfolios, the net cost after tax amounted to 329 million euros. Taking into account maturities and the respective characteristics of the portfolios, a write-down of 70% was applied to Greek debt in the banking sector (193 million in net outstanding loans) and of 78% in the insurance sector (72 million). The cost of customer exposure to risk on outstanding loans improved (0.37% compared with 0.54% in 2010) and the ratio for the coverage of doubtful debts was 66.7%.

The reported net result in 2010 was 1,805 million euros against 2,341 million in 2010. The tier one solvency ratio amounted to 11.0% and tier one prudential equity capital reached 21.5 billion euros at December 31st, 2011.

Retail banking, the Group's core business

Retail banking is the CM10-CIC Group's core business. It comprises the Caisses de Crédit Mutuel network, the Banque de l'Economie du Commerce et de la Monétique, the CIC regional bank network and the Ile-de-France CIC, Iberbanco CIC branches, the Targobank network in Germany, the Targobank network in Spain, the Cofidis Group, Banque Casino and all the specialist activities for which product marketing is carried out by the networks, such as equipment leasing and hire-purchase, real estate leasing, vendor loans, factoring, collective investment schemes and employee savings plans.

All business conducted in this sector of activity performed well in 2011. Depending on the networks, outstanding loans in fact increased between 3% and 4% while bank deposits reached a peak in 2011 and showed growth of 8% to 15% depending on the channels.

Retail banking, key figures

(in millions of euros)	2011	2010	Variation [1]
Net banking income	**9,206**	**8,401**	**- 2.0%**
Gross operating income	**3,722**	**3,511**	**- 4.9%**
Net income before tax	2,879	2,388	+ 7.1%
Net income	**1,953**	**1,588**	**+ 8.0%**

1. Growth on a comparable basis.

On December 31st, 2011, net banking income was 9,206 million euros against 8,401 million euros in 2010. Net commissions received by the Group's banking networks represented 36.6% of the network banks' net banking income. Commissions transferred by the insurance sector amounted to 700 million euros for the network banks and 200 million euros for the consumer credit company. Amounting to 203 million euros, the commissions received on remote banking services, protection and surveillance, real estate transactions and telephone services resulted in an 18% increase in performance.

The cost of risk decreased to 879 million euros (down 29.3%) whereas the doubtful-loan cover rate increased to 66.88%. The pre-tax result amounted to 2,879 million euros compared with 2,388 million euros in 2010, representing an increase of over 7% on a like-for-like basis.

The CM10-CIC Group's banking networks as retail banks

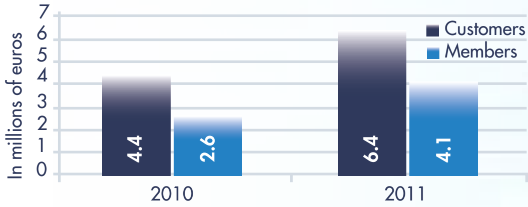
Crédit Mutuel 10 Group

In 2011, the CM10 Group composed of the 10 Crédit Mutuel Federations, the Caisses de Crédit Mutuel which are members of their respective Federations and the Caisse Fédérale de Crédit Mutuel, continued to be attentive to private individuals, associations, professionals and businesses.

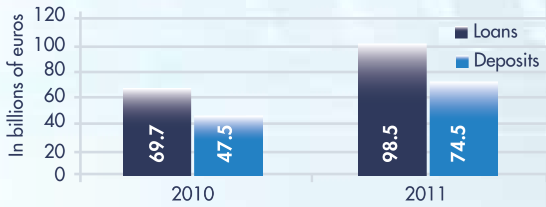
Dynamism, proximity and the quality of its commercial services made it possible to achieve over a year:

– an increase in customer numbers from 2,000,000 to a total of 6,403,000. The Crédit Mutuel Federations of Loire-Atlantique and Centre-Ouest, Normandie, Dauphiné-Vivarais and Méditerranéen which had become members on January 1st, 2011 brought 1,900,000 customers to the newly established group;

Number of customers and members



Loans and accounting deposits of customer



– a 3.5% rise in customer loans outstanding on like-for-like basis, to 98.5 billion euros. On a like-for-like basis, equipment loans incurred the largest increase with 8.3%. Member Federations on January 1st, 2011 also brought in 26.3 billion in loans;

– an 8.10% increase in outstanding bank deposits or a new inflow of 3.8 billion and a contribution from the new member Federations of 23.1 billion, resulting in outstandings of 74.5 billion euros.

The mutualist sector's net banking income decreased slightly in 2011 owing to the squeeze on margins, caused in particular by the extension in refinancing periods required by the forthcoming new regulations. Net commissions rose by 2.4% on a like-for-like basis accounting for just over 34.4% of net banking income.

Overheads rose by around 5.0% in connection with the creation of 24 new Caisses de Crédit Mutuel in the Ile-de-France and Midi-Atlantique regions. The cost of risk in the CM10 retail banking networks fell by 31.6% and only accounts for 0.10% of loans outstanding. The "CM 10 retail banking" sector's pre-tax result amounted to 1,087 million euros.

CIC Group – Banking networks

The CIC Group's banking networks are composed of the CIC and CIC Ile-de-France regional banks' networks.

2011 was marked by the continued effort to acquire customers, to develop the network, to reduce the cost of risk, to achieve growth in outstanding deposits and loans, to strengthen the stock of insurance contracts and to develop service activities.

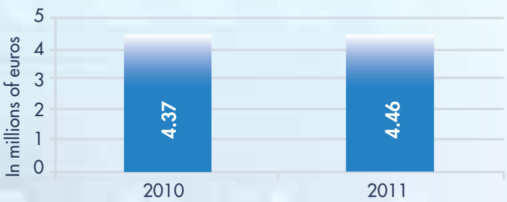
The loans outstanding of the CIC banking networks amounted to 99.3 billion euros (up 3.3% compared with 2010), deposits outstanding amounted to 76.7 billion (up 14.5%) and assets under management and in custody to 53.9 billion (down 5.9%).

Retail banking in France is CIC's core business and it continued to improve the quality of its network by establishing 31 points of sale in 2011. This policy of developing the network's activities enabled CIC to attract 100,000 additional customers and to reach a figure close to 4.5 million customers.

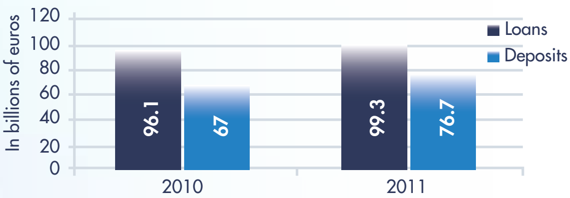
The sector's net banking income remained stable in 2011 owing to the squeeze in margins caused in particular by the extension in refinancing periods. Overheads were kept under tight control and remained stable at 2 billion, which made it possible to stabilize the cost-to-income ratio at 67%. As for the retail bank's cost of risk, it fell sharply by 106 million euros.

The CIC banking network's income before tax amounted to 876 million euros compared with 782 million in 2010, representing growth of 12%.

Number of customers



Customer loans and accounting deposits



Banque Européenne du Crédit Mutuel (BECM)

BECM is a subsidiary of the Group which, as part of a network bank's activities, operates alongside the network of Caisses de Crédit Mutuel and in co-development with the CIC network in four large markets:

– corporations and medium-sized companies,

– financing real estate development, mainly in the housing sector,

– estate agencies whose purpose is to manage residential, commercial or service sector leased property,

– asset management as an extension to the financial engineering services provided to partners and business leaders which are BECM customers.

BECM's marketing positioning enables it to steer activities associated real estate professionals and major customers on behalf of the CM10-CIC Group in the field of business cash flow management.

Outstanding customer loans amounted to 10.1 billion euros at the end of 2011 showing growth of 11.2%. In parallel, the total resources collected, reflecting the improved financial position of businesses, grew by 10% to 7.3 billion euros. The sharp growth in deposits (up 47%) is the result of the network's deposit-taking efforts and the reintermediation of off-balance sheet financial savings. Successfully developing the marketing for its services and the Group's added value products resulted in net banking income of 207 million euros (up 1.4%).

The cost of risk was reduced to 0.10% of outstanding loans. Net income came to 90 million euros against 84 million in 2010.

CIC Iberbanco

In 2011, in a tough economic and financial climate, CIC Iberbanco was able to take advantage of joining the Group and its positioning as a "bank open to two worlds" to support its rapid development. Customer numbers grew as a result by 9.9%, customer deposits increased by 7.5% and there was a rise in loans of 25.7% over a one-year period.

CIC Iberbanco has a network of 16 general public branches (individual and professional customers) situated in Ile-de-France, in the Lyon region and in the south (Bordeaux, Midi-Pyrénées and Languedoc-Roussillon) as well as four business branches and a real estate branch.

The results at December 31st, 2011 showed net banking income amounting to 16.5 million euros (up 17.7% compared with 2010) and the net result to 0.7 million compared with 0.1 in 2010.

Targobank Germany

After 2010, which had been marked by the switchover from the Citibank brand name to Targobank and by migration to the Group's IT systems, the beginning of 2011 saw the launch of new advertising campaigns that enabled the bank to increase its direct consumer credit against a dynamic economic background in Germany. Outstanding loans totalled 10.0 billion euros at the end of December while deposits amounted to 9.6 billion euros. The latter's outstandings increased by 9.4% compared with the previous year without this new deposit-taking being the result of increasing the returns on these products.

New synergies with the Group were achieved: for the first time, the Targobank Germany network marketed a loan issued by BFCM in June 2011 to its customers. Moreover, in addition to the Banque de Luxembourg's three funds marketed since December 2009, from September 2011 Targobank Germany offered a selection of three funds managed by CM-CIC Asset Management.

In terms of earnings, Targobank's Germany contribution increased substantially, rising to 265 million euros at the end of 2011 (before amortisation of goodwill arising from the purchase price allocation), representing an increase of 33.7% compared with 2010.

***Targobank Spain** (a proportionally consolidated subsidiary, with a 50% contribution to the consolidated financial statements)*

Targobank Spain, an all-purpose bank, 50% owned by BFCM, has a network of 124 branches in Spain with more than 235,000 customers at the end of 2011, of which 80% are individuals. Targobank Spain manages an installed base of 152 ATMs and more than 125,000 debit/credit cards.

Outstanding customer loans totalled close to 1 billion euros. Bank deposits stood at 766 million euros.

The trading account showed net banking income totalling 41.6 million euros, while net income amounted to 10 million euros.

Retail banking ancillary businesses

Consumer credit

Cofidis Participations Group

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

Cofidis Participations Group generated over 3.2 billion euros in loans and recorded over 7.6 billion in net outstanding loans at the end of 2011.

The net banking income amounted to 1,142 million euros on December 31st, 2011 down by 7% compared with 2010. The operating income and net result amounted respectively to 623 euros and 135 million euros.

In light of the changing legislative and market environment, Cofidis Participations Group will continue to adapt its offer and competitive positioning to satisfy the needs of its clients in these main markets. The company will also focus on risk management in the months and years ahead.

Sofemo Group

This company's activity remains focused primarily on instalment payments as well as the development of vendor credits.

New lending reached 750 million euros in financial year 2011. Net customer loans outstanding rose from 1.05 billion euros in 2010 to 1.16 billion euros in 2011.

The results showed that the Sofemo Group recorded net banking income of 67 million euros (up 2.4%). Net income was 15.1 million euros (up 15.9%).

***Banque Casino** (a proportionally consolidated subsidiary, with a 50% contribution to the consolidated financial statements)*

Banque Casino, jointly held on an equal footing with Casino Group since July 2011, markets credit cards, consumer credit and insurance at 102 Casino hypermarkets and via the Cdiscount web site.

In 2011, new lending totalled 234 million euros and 63,500 new cards were distributed. On December 31st, 2011, Banque Casino had 700,000 customers and outstanding loans of 268.5 million euros. Net banking income totalled 30.9 million euros.

Factoring and receivables assignment

On January 2st, 2012, the merger of FactoCIC and CM-CIC Laviolette Financement created CM-CIC Factor, which centralizes the receivables financing and management business activities of the CM10-CIC Group.

FactoCIC

As a Crédit Mutuel and CIC business centre, FactoCIC provides short-term financing for companies in France and abroad.

In 2011, purchased receivables totalled 14.5 billion euros (up 15.8%). Commercial production was nearly 3 billion euros and gross credit outstanding totalled 2.4 billion euros.

Development of business with the partner banks, a key strategy, generated 20.2 million euros in commissions.

Net banking income totalled 57.5 million euros, while net income was 9.8 million euros.

CM-CIC Laviolette Financement

As the business centre for the assignment of disclosed receivables from professionals, CM-CIC Laviolette Financement continued its development with all partner banks.

With sound risk management and steady growth in commercial production, the company recorded a 17.5% increase in new payments in 2011 to 1.89 billion euros, a 17% increase in net banking income to 16.6 million euros after remittances to partner banks totalling 10.5 million euros (up 12%).

Net income totalled 2.5 million euros, up from 1.4 million euros in 2010.

Leasing

CM-CIC Bail

In a dynamic financing market, CM-CIC Bail recorded favourable results in 2011, as evidenced by the 20% increase in new nominal leasing volume. A total of 109,200 lease agreements were concluded. At the end of 2011, CM-CIC Bail managed over 6.1 billion euros in gross outstanding loans.

New leasing in the Crédit Mutuel and CIC networks increased by 17%, thanks to the efforts of the specialized sales force.

The merger with Sodelem bolstered the teams and competencies, accelerated development of the various business lines and expanded the range of products and services.

The continuous improvements made to the IT system and processes provided the sales force with new applications and enhanced productivity, thereby resulting in greater customer satisfaction.

Net banking income totalled 47.6 million euros, while net income was 6.9 million euros.

CM-CIC Lease

In 2011, CM-CIC Group continued to develop and expand the professional real estate financing products and services available to customers through real estate leasing.

New financing agreements covered 308 properties (a 9.6% increase compared with 2010) for a total of 676 million euros, up 7.0% compared with the previous financial year.

CM-CIC Lease continued to focus on improving productivity and quality in the implementation of lease agreements and, during the year, it also launched a major training programme aimed at expanding the skills and efficiency of its teams.

Net banking income totalled 3.7 million euros.

Fund management and employee savings

CM-CIC Asset Management

CM-CIC Asset Management, the business centre for the CM-CIC Group's asset management business, and the country's fifth-largest asset manager, was caught up in the same difficult market environment as its competitors. It was also affected indirectly by the Basel III reforms and higher taxes on financial investments. Both retail and company customers continued to move their savings toward the banking sector.

By the end of the year, CM-CIC Asset Management's assets under management had nevertheless contracted to a lesser extent than those of the overall market, except in the money market category. This latter category was particularly hard hit by the outflow trend, given the historical importance of the Group's customer base consisting of corporations and medium-sized businesses, institutions and associations.

However, conservative selection of securities and maturities resulted in steady overall performance and sustained the level of outstanding amounts in the bond segment. This segment was also bolstered by the expansion of a target maturity fund family which will continue in 2012. The fixed income management activity as a whole distinguished itself in 2011 by winning several awards, such as the Morningstar Fund Awards as the best "broad range bonds" company for the second consecutive year.

Regarding equities, which accounted for 9.9% of overall outstanding as of December 31st, 2011, the decline in outstanding was limited relative to the market despite the fact that this asset class fell out of favour. In this specialized and attractive fund category, which will continue to be promoted in 2012, CM-CIC Asset Management has: small and mid cap funds, thematic funds such as Union Europe Growth (low volatility growth funds) or CM-CIC Or et Mat (international fund invested in gold mines and raw materials).

Finally, diversified mutual funds (OPCVM), which accounted for 14% of total assets as of December 31st, 2011, recorded only a slight contraction (down 3.26%) in outstanding, notably as a result of subscriptions of profiled funds by institutional customers.

The company's preferred customer base remains that of the CM-CIC Group networks, whether they are customers from retail banking, private banking or the business sector. Moreover, efforts to win new institutional customers met with success, achieved in particular by numerous winning tenders. The distribution of products abroad was initiated by the Group's foreign subsidiaries, in particular through the Targobank network in Germany.

Lastly, CM-CIC Asset Management worked together with the CM-CIC Group's securities sector companies (CM-CIC Titres, CM-CIC Securities) to develop an integrated range of products aimed at asset management companies (CM-CIC Investor Services).

At end 2011, assets under management, split between 632 funds, totalled 51.2 billion euros, down 12%. CM-CIC Asset Management also served as an accounting services provider for 73 investment companies covering 307 OPCVM mutual funds.

Net banking income totalled 50.7 million euros, while net income was 3.3 million euros.

CM-CIC Epargne Salariale

In 2011, CM-CIC Epargne Salariale, the employee savings business centre for Crédit Mutuel and CIC, had:

– 5.634 billion euros in assets under management (up 5.3%) despite the unfavourable impact of the financial markets;

– 58,376 client companies (up 11.8%);

– 1,415,595 employees with savings under management.

Employee savings collection was bolstered by the contribution of payments on new contracts as well as transfers from competitors. Capital production increased by 11% compared with 2010, while the number of contracts increased by 14%.

The companies market was dynamic, enabling an improvement in the rate of employee savings agreements under management.

The administrative and financial management product line in the large and medium-sized companies segment was competitive.

The financial year saw the roll out of new transaction monitoring services available to savers and, in the case of the sales network, expanded functional capabilities for steering the activity.

Remittances linked to employee savings received by the Group's networks (investment commissions and front-end loads continued to increase. Net banking income was 23.1 million euros (up 28.8%), while net income was 4.2 million euros compared with 1.1 million euros in 2010.

Other

Crédit Mutuel-CIC Home Loan SFH

This company, formerly named CM-CIC Covered Bonds SA, adopted the status of a home financing company (Société de Financement de l'Habitat - SFH) in 2011 in order to offer this new standard of quality and liquidity to its investor base.

Since the summer of 2011, the debt market tightened significantly as a result of the sovereign debt crisis. International investors were very reluctant to invest, notably in the European countries considered fragile. France gradually joined this list, and all French issuers suffered from this situation as a result.

This market's operating method was altered, as private transactions came to replace benchmark public offerings.

In this challenging environment, Crédit Mutuel-CIC Home Loan SFH was nevertheless able to issue more than 1.5 billion euros during the fourth quarter of 2011, mainly through offering top-ups to existing security pools.

Overall, 2011 results were nevertheless quite positive, since Crédit Mutuel-CIC Home Loan SFH issued and placed 8.7 billion euros to an increasingly diversified investor base. More than 140 different investors purchased our securities during the year.

If the market environment allows, CM11-CIC plans to borrow an additional 12 billion euros in 2012, mainly in the form of covered bonds.

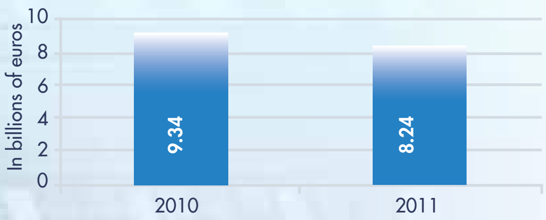
Insurance, the Group's second business area

CM10-CIC Group's insurance activities are developed through the subsidiaries of Groupe des Assurances du Crédit Mutuel (GACM) holding company and in particular ACM Vie SA, Serenis Vie, ACM IARD SA, Serenis Assurances, Partners in Belgium and ICM Life in Luxembourg. GACM provides insurance for one vehicle in every 19 and one home in every 18 in France. The Group has 24.3 million policies under management for 7.5 million policyholders.

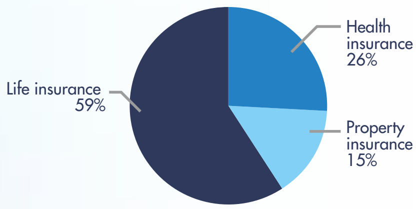
Insurance, key figures

(in millions of euros)	2011	2010	Variation
Net banking income	**967**	**1,198**	**- 19.3%**
Gross operating income	**615**	**831**	**- 25.9%**
Net income before tax	615	828	- 25.7%
Net income	**421**	**684**	**- 38.5%**

GACM consolidated sales



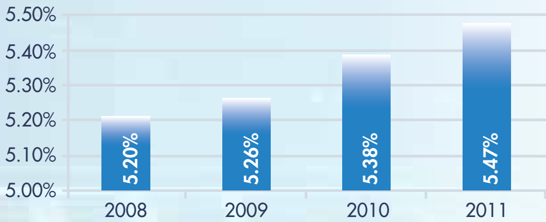
Repartition of sales (2011)



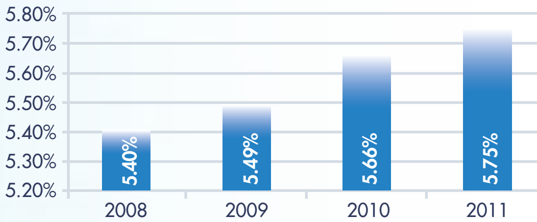
In a particularly challenging economic environment in 2011, consolidated turnover for insurance activities amounted to 8.2 billion euros compared with 9.2 billion euros in 2010, representing a decrease of 11.30% in a market suffering a 9% decline overall. Despite a significant decline in life insurance and annuity premiums, the net intake remained positive overall over the year, enabling insurance outstanding to increase by more than 2%.

The decline in life insurance turnover was partially offset by 14.2% growth in the risk insurance segment. The growth in the car and home insurance segment outpaced the market average with 5.3% and 8.5% increases respectively. Personal insurance saw

Market share in auto



Market share in residential



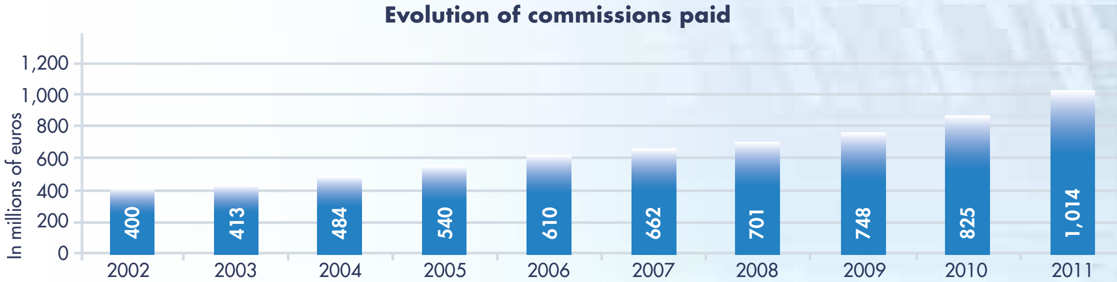
revenue gains of more than 19% thanks largely to borrower's insurance. Since January 1st, 2011, the ACM companies have in fact also been insuring loans marketed by the Cofidis network.

Property insurance technical results were excellent owing to the absence of any large-scale climatic incidents. The number of claims in the health segment also remained favourable.

As part of CM10-CIC Group's international diversification strategy, GACM accompanied the development of Targobank's Spanish network with the creation of two subsidiaries, one life insurance and the other non-life insurance, and is studying other growth projects in Spain. During the first quarter, GACM disposed of ICM Ré, its reinsurance subsidiary in Luxembourg, but is retaining a local presence through ICM Life.

Net insurance income was 967 million euros at December 31st 2011 compared

Evolution of commissions paid



with 1,198 million euros in the previous financial year, after remunerating the internal distribution networks with 1,014 million euros. Income before tax came to 615 million euros compared with 828 million euros in 2010.

In addition to the record earnings of 2010, which benefitted from the capitalisation reserve's change in tax status and the contraction in turnover, the decline in earnings was also attributable to the financial market situation and the Greek debt crisis.

The latter event is reflected in GACM's financial statements through impairment charges taken against assets and the fair value recognition of these assets in accordance with the IAS 39 and IFRS 4 standards.

Meanwhile, GACM recorded more than 80 million euros in net capital gains following the disposal of two of its subsidiaries (ICM Ré and EP Services). EP Services was sold to EP Surveillance, another CM10-CIC Group company owned by Euro Information.

With 421 million euros in net income, the insurance division contributed substantially to CM10-CIC Group's overall performance.

Corporate Banking

Corporate banking includes the financing of large corporates and institutional clients, value-added financing (project and asset financing, export financing, etc.), international activities and foreign branches. This business managed 15.5 billion euros in loans and 4.5 billion euros in deposits. Net banking income rose by 6.2% from 456 million euros in 2010 to 485 million euros in 2011. The cost of risk amounting to 32 million euros contracted by 3 million euros compared with 2010.

Income before tax was up 8%, at 369 million euros.

■ **Finance banking,** key figures

(in millions of euros)	2011	2010	Variation
Net banking income	**485**	**456**	**+ 6.2%**
Gross operating income	**401**	**376**	**+ 6.7%**
Net income before tax	369	341	+ 8.3%
Net income	**239**	**236**	**+ 1.4%**

Large accounts: corporates and institutional investors

Overall, the banking sector experienced significant changes:
– tight liquidity as a result of highly restrictive behaviour by the main interbank market participants,
– the lack of access to US dollar financing, resulting in a virtual withdrawal of European banks,
– the burden of new regulations, with the introduction as part of Basel III of new liquidity ratios (LCR and NSFR) and solvency ratios over the 2015/2018 period.

In this much more challenging environment, and in particular during the second half of the year, the CM10-CIC Group continued to support its clients as it has done during the successive crises since 2007.

For the lending business, the first half of 2011 was marked essentially by refinancing transactions. Large corporates continued their deleveraging and disintermediation strategy by turning more to the bond and commercial paper market. The large accounts teams strengthened their presence in these two activities, notably by participating in major transactions.

The sovereign debt crisis that began in the summer of 2011 put an end to financing transactions, as corporates adopted a wait-and-see approach in the light of market volatility and *spread* tensions.

CM10-CIC Group's highly active commercial policy and financial strength, which is recognised and valued by large corporate customers, enabled it to develop its resources by taking advantage of the growing cash balances of companies and institutional investors.

In terms of payments processing, another key growth avenue, the CM10-CIC Group strengthened its electronic payment business with large remitters, drawing on its technological developments (in particular contactless payments and telephony) and its cross-border approach.

The CM10-CIC Group also supported its clients in the area of regulatory and technical change (Single Euro Payments Area (SEPA), discontinuation of ETEBAC, the French banking network...). Finally, the consolidation of the "Corporate payments" teams and the sales force into a single platform further strengthened the quality of service.

Specialised financing

Acquisition financing

The CM10-CIC Group supports its clients in their company transfers, acquisitions and growth plans by providing its expertise and know-how in the structuring of appropriate financing for each type of transaction.

Commercial trading was sustained, and despite higher liquidity costs, new transactions were successfully completed while maintaining a favourable risk/return profile. The Group sought to maintain a balanced position for the various types of transactions (corporate acquisitions, transactions with a financial "sponsor", family asset and wealth transfers).

Asset financing

In line with 2010, the overall market situation made it possible to complete transactions with a still favourable risk/return profile and continued high margins. Lower margins on the highest-rated counterparties was observed toward year-end as a result of competition from banks with access to US dollar financing. Financing transactions with preferred tax treatment made a significant contribution to commission income, notably transactions with China.

Project financing

The team participated in tenders and competitive bidding initiated by large corporates that are CM10-CIC clients and offered its support to corporate clients of the regional banks. The team was mainly active on the arrangement side for French projects, generally serving as agent, and in a secondary capacity outside France.

International activities and foreign subsidiaries

The main axis of CM10-CIC Group's strategy abroad consists of supporting clients with their international development by offering a diversified line of products and services adapted to each company's needs.

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

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

Capital market activities

BFCM and CIC have consolidated their capital markets activities under one roof, CM-CIC Marchés, with a single management team. This entity carries out the CM10-CIC Group's refinancing, commercial and proprietary trading activities from offices in Paris and Strasbourg, as well as through branches in New York, London, Frankfurt and Singapore.

These transactions are recognized on two balance sheets:
– that of BFCM for the refinancing business,
– and that of CIC for the commercial and proprietary trading activities.

Capital market activities, key figures

(in millions of euros)	2011	2010	Variation
Net banking income	**401**	**618**	**- 35.1%**
Gross operating income	**228**	**436**	**- 47.7%**
Net income before tax	112	440	- 74.6%
Net income	**61**	**355**	**- 82.8%**

Capital market activities also include stock market intermediation, which is provided by CM-CIC Securities.

On December 31st, 2011, net banking income was 401 million euros, down from 618 million euros in 2010. From summer onwards, revenues suffered primarily from the effects of the Eurozone crisis, falling equity markets and from spread widening on the bond markets. The cost of risk totalled 116 million euros compared with a reversal (income) of 4 million euros in 2010 and includes the amount of 104 million euros in write-downs recorded on Greek sovereign debt securities. Income before tax fell from 440 million euros to 112 million euros after recording 154 million euros in impairment charges on Greek sovereign debt securities.

Refinancing

The debt market was marked by contrasting trends in 2011:

– the first seven months saw robust offering activity and, more generally, robust volumes of medium- and long-term capital raised, thanks largely to demand for long-term investments from life insurance companies. At the end of July, the volume of funds raised therefore totalled nearly 15 billion euros, or 73% of the total long-term borrowings for the year (20.4 billion euros);

– starting in August, the environment deteriorated sharply following Standard & Poor's downgrading of the United States' "AAA" credit rating and the aggravation of the sovereign debt crisis in the Eurozone. The sudden shortfall in short-term US dollar liquidity from US money market funds in September had only a limited impact on the CM10-CIC Group given its limited dependency on US dollar resources.

In 2011, the CM-CIC Group continued its efforts to reduce its capital market indebtedness and bolster its liquidity. It improved its loan-to-deposit ratio and conducted a regular bond offering policy aimed at its customers. Four BFCM issues totalling 1,910 million euros were placed through the Crédit Mutuel-CIC networks and, for the first time, in June, to Targobank Germany's clients:

– March: 250 million euros at 5 years at the rate of 4.10%;

– April: 250 million euros at 3 years at the rate of 3.60%;

– June: 410 million euros at 5.3 years at the rate of 4.00%;

– December: 1,000 million euros at 7 years at the rate of 5.30% (redeemable subordinated bonds).

The strategy consisting of favouring long-term debt over money market financing continued apace, resulting in a 37%/63% breakdown of short-term and long-term financing last year (compared with a 50%/50% split at the end of 2010).

Leading international investors confirmed their trust in the Group, as evidenced by their growing participation in BFCM and CM-CIC Home Loan SFH offerings. For example, the JPY 27 billion "Samurai" offering subscribed in July was the first by Japanese institutional investors.

Lastly, the holding of a substantial buffer of ECB-eligible assets, covering refinancing needs over the next 12 months year on year substantially improved the Group's liquidity situation.

Other noteworthy developments in 2011 included the following:

– the exercise in December of the issuer's call on a 1 billion euros BFCM subordinated issue;

– the early repayment (tender) of 70% of a BFCM hybrid tier one issue. Nearly 33%, or 197 million euros, was contributed to the offering; the vast majority of investors therefore opted to forgo the early repayment, thereby expressing their trust in the Group's future.

Commercial trading

With sales staff located in Paris and in France's large regional cities — for network and large corporate clients — the trading floor offers its domestic and other European clients, including some individuals, an advisory and listing service in foreign exchange, fixed income and investment products.

The commercial trading business includes a unique and high-performance line of investment products, which are derived directly from the expertise in proprietary trading.

Proprietary operations

In 2011, economic markets were subjected to the increasing effects of the sovereign debt crisis.

In a very volatile and uncertain environment during the second half of the year, positions were carefully managed and often substantially reduced, notably for the most exposed countries.

The impact of the events on proprietary trading results remained modest, and although these results had contracted in 2010, they remained at a generally satisfactory level, both in France and in New York.

The performance of alternative investment products offered to clients and derived from proprietary trading held up reasonably well and the volume of outstanding increased.

Stock market intermediation

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

As a member of ESN LLP, a multi-local network comprising 10 intermediaries present in 12 European countries (Germany, the Netherlands, Belgium, Great Britain, Ireland, Finland, Italy, Spain, Portugal, Greece, Cyprus and France) and the majority shareholder of ESN North America (United States, Canada), it can trade on behalf of its clients in all European and North American equity markets as well as in numerous emerging markets.

CM-CIC Securities has 30 analysts and strategists based in France, a sales force of 38 people in Paris, Lyon and Nantes, four in London (branch started up in 2010) and eight in New York (ESN North America). It also has a sales force of five people for index derivatives, equities and agricultural commodities (Préviris coverage offered to farmers for their wheat, rapeseed and maize harvests) and eight sales staff and traders for traditional and convertible bonds.

CM-CIC Securities also organises company services, road shows and conferences in France and abroad; it exercises a depositary/custodian function on behalf of 115 asset management companies and administers 26,975 retail and 272 mutual fund accounts with a total of 15 billion euros in assets.

Through its CM-CIC Corporate department, CM-CIC Securities is the business centre for the CM10-CIC Group's financial transactions. Partnership agreements with all ESN members have expanded its "stock market transaction" and "mergers/acquisition" activities to the rest of Europe. Lastly, the department also provides issuer services (financial communications, liquidity agreements and stock repurchases, financial secretariat and securities service).

In 2011, CM-CIC Securities recorded net banking income of 54.3 million euros.

Private banking

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

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

These entities manage deposits of 14.6 billion euros and loans of 7.1 billion euros. Savings managed and held in custody total 66.1 billion euros.

Net banking income increased by 7% to 431 million euros at December 31st, 2011 (compared with 404 million euros in 2010) thanks to a robust 21% increase in net interest income and stable commission income. The latter accounted for 53.6% of total net banking income.

Non-recurring expenses related to provisions established for Greek sovereign debt accounted for a 44 million euros. Despite these factors, the business segment is financially very sound, as income before tax totalled 85 million euros in 2011, up 21% relative to 2010 (71 million euros).

■ **Private banking,** key figures

(in millions of euros)	2011	2010	Variation
Net banking income	**431**	**404**	**+ 6.8%**
Gross operating income	**115**	**84**	**+ 36.1%**
Net income before tax	85	71	+ 21.1%
Net income	**68**	**62**	**+ 9.2%**

Banque Transatlantique Group

In 2011, net banking income amounted to 92.9 million euros (up 4.7%) and income before tax was 32 million euros (up 48.4%). Net interest income increased by 15.2%.

At the end of the year, Banque Transatlantique's assets under management reached a record level of 12 billion euros.

Dubly-Douilhet

The products of Dubly-Douilhet, an investment firm specialising in discretionary portfolio management for high-net-worth clients in northern and eastern France, showed excellent resistance despite the crisis in 2011. Returns on cash balances improved.

Net banking income was 9.1 million euros (up 36.6%), while net income was 3.2 million euros compared with 1 million euros in 2010.

Banque CIC (Suisse)

The bank established a branch in Sion at the beginning of the year in order to expand its growth. This brings the number of points of sale to nine, and the more than a century-old company now covers all of the country's language regions.

As both a private and commercial bank, it primarily serves business owners and their companies.

Its business model and roots within the Group enable it to offer a comprehensive range of services in a personalised context focused on the needs of its clients.

Net banking income totalled 69.4 million euros and net income 2.9 million euros.

Banque de Luxembourg

As the CM-CIC Group's international private banking centre of expertise, Banque de Luxembourg stabilised its activity and earnings despite the substantial negative impact of the financial crisis.

Net banking income increased by 11.0% to 214 million euros. Net income remained stable overall at 55.6 million euros.

CIC Private Banking – Banque Pasche

The bank, which does business in more than 70 countries with a line of open-architecture products and services, demonstrated the relevance of its business model in 2011.

Net banking income amounted to 34.2 million euros.

CIC Singapore and CIC IS Hong Kong subsidiary

Since 2002, CIC has exercised its Asian private banking business from Hong Kong and Singapore, financial centres that in the near term are seeking to become market leaders in this industry.

The first eight months of 2011 were marked by good business volume, as investors returned to equity and bond markets. However, the acceleration in the liquidity crisis that hit the European banks caused business to come to a standstill towards the end of the year.

Overall, assets under management remained stable and CIC continued to improve the quality of its teams and advisers.

Private equity

Proprietary private equity is a key pillar of our commercial strategy, enabling us to support efforts to bolster shareholders' equity, notably on behalf of clients of the Crédit Mutuel and CIC networks over medium- and long-term periods.

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 in order to improve efficiency and offer an improved service. The regional offices in Lyon, Nantes, Lille, Bordeaux and Strasbourg ensure close ties with our clients.

Last year was a complicated one with a turbulent market environment. The first half started out well, both in terms of investment transactions and financial engineering fees. The reversal of the trend beginning in the summer led CM-CIC Capital Finance to adapt its investment strategy to the deterioration in the economic environment and increase the pace of its disposals, in particular for its listed portfolio.

2011 was nevertheless a year of significant proprietary investment activity, with 380 million euros invested in more than 170 transactions, including nearly two-thirds in growth capital and a major portion of reinvestments in existing portfolio lines and with larger single investment amounts.

Portfolio turnover was also high, with disposals amounting to 319 million euros in nominal value, including 122 million euros in capital gains (including provision write-backs on disposals), demonstrating the quality of the investment lines and the resilience of CM-CIC Capital Finance's business model.

As of December 31st, proprietary assets under management represented 1.8 billion euros (including 78 million euros in innovation capital) on more than 575 equity investments and some investment funds. This portfolio generated 42.6 million euros in revenues through dividends and interest, an increase compared with 2010.

However, the scale of the disposals and the economic and financial downturn in the second half of the year did not make it possible to rebuild the level of unrealised capital gains by year-end, which negatively affected net income under IFRS.

Net banking income for CM-CIC Capital Finance and its subsidiaries totalled 93 million euros as of December 31st, 2011, compared with 191 million euros in 2010, and income before tax was 59 million euros, down from 155 million euros in 2010.

Private equity, key figures

(in millions of euros)	2011	2010	Variation
Net banking income	**93**	**191**	**- 51.3%**
Gross operating income	**59**	**155**	**- 61.9%**
Net income before tax	59	155	- 61.9%
Net income	**57**	**153**	**- 62.6%**

Liquidity and Equity Capital

During 2011, Group was able to reduce its commercial "gap" by close to 6 billion euros and to extend its medium- and long-term market-based debt by 9 billion euros. In total, equity capital, customer deposits and medium- and long-term market resources exceeded customer loans outstanding by close to 30 billion euros.

The Group's cash monetary refinancing amounted to 36 billion euros at the end of January 2012. It is now totally protected by ECB-eligible assets providing CM11-CIC with the full capacity to withstand short-term financing market closure scenarios.

The Group's medium- and long-term debt issuance programme for 2012 amounts to 12 billion euros for 9.1 euros payments into account. Implementation of this programme is now well under way taking into account the progress made at the end of 2011 as well as 4.6 billion euros already issued in January and February 2012 in the form of public and private transactions and network issuances.

Growth which depends on being faithful to original values

The 2011 results show that the current crisis has not affected the CM10-CIC Group in the same proportion as many of its competitors. This specificity is largely to do with the values to which the Group is attached and which guide its strategy. Established 120 years ago based on ties of solidarity between savers and borrowers, Crédit Mutuel has been able to retain the characteristics which make it robust and different from other credit institutions by continuing to be a cooperative, mutualist bank maintaining a clear, honest and trusting relationship with members and customers.

A genuine, local bank, Crédit Mutuel takes part in the local economy and promotes home ownership as well as improvement of facilities and the environment. The bank also contributes actively to providing finance for our region's businesses despite the economic crisis.

Risk 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 risk

Organization of the lending unit

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

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

Credit approval system

Credit approval is based on knowledge of the customer, risk assessment and the commitment decision.

◆ Customer knowledge

The close ties that have been formed with the economic environment are the basis for obtaining information about existing and prospective customers. Customer segments have been defined and risk-profiled, which determines the targeting of marketing efforts. A loan file is prepared as evidence to support the credit approval decision.

◆ Risk assessment

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

Employees concerned receive regular refresher training on risk supervision and oversight.

Customer ratings: a single system for the entire Group

In accordance with the applicable regulations, the rating is at the heart of the Group's credit risk system: approval, payment, pricing and monitoring. As such, all approval powers are based on the counterparty's rating. Generally speaking, the lending unit approves the internal ratings of all loan files that it handles.

Rating algorithms and expert models have been developed to improve the Group's credit risk assessment and to comply with regulatory requirements regarding internal rating processes.

This rating system is used throughout the Crédit Mutuel Group.

Rating methodologies are defined under the responsibility of the Confédération Nationale du Crédit Mutuel (CNCM) for all portfolios. However, the regional entities are directly involved in developing and approving working group projects on specific issues as well as work on data quality and application acceptance testing.

The group's counterparties who are eligible for internal processes are rated by a single system.

Models (algorithms or rating grids) are used to ensure proper risk assessment and rating. The scale of values reflects risk progressivity and is divided into nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D-, E+) and three default positions (E-, E= and F).

Monitoring of the rating models involves three main areas of study: stability, performance and additional analyses.

Monitoring of each rating model is performed under the auspices of the CNCM.

Risk groups (counterparties)

Article 3 of CRBF regulation 93-05 states that individuals or legal entities that are related in such a manner that it is likely that if one of them encounters financial problems, the others would also encounter repayment difficulties, are considered as a single beneficiary.

The risk groups are established based on a procedure that incorporates the provisions of the above regulation.

Product and guarantee weightings

When assessing counterparty risk, a weighting of the nominal commitment may be applied, which is based on a combination of the loan type and the nature of the guarantee.

◆ Credit approval procedure

This is essentially based on:
– a formalized risk analysis of the counterparty;
– the rating applied to the counterparty or group of counterparties;
– approval levels;
– the principle of dual review;
– rules for setting maximum discretionary lending limits in proportion to the lending bank's equity;
– remuneration adapted to the risk profile and capital consumption.

Management of the decision-making circuit is automated and occurs in real-time: immediately upon completion of a loan application, the electronic file is transmitted to the decision maker at the appropriate level.

Approval levels

Network

The customer relationship manager is responsible for ensuring the exhaustiveness, quality and reliability of the information collected.

In accordance with article 19 of CRBF regulation 97-02, he compiles loan files intended to formalize all qualitative and quantitative information on each counterparty. He checks the reliability of the information gathered either from customers or from any external means (sector studies, annual reports, legal information and rating agencies) or internal means at his disposal.

Each customer relationship manager is responsible for any decisions he takes or causes to be taken and is endowed with personal approval powers.

For loan files whose amount exceeds these personal approval powers, the decision falls to a Credit Approval Committee whose operating rules are covered by written procedures.

Approval powers reflect a range of commitment caps based on:

– the rating;

– the total amount of commitments for a given counterparty or risk group, weighted, if necessary, by the type of loan or the eligible guarantees;

– any specific exclusions of approval powers.

Corporate and investment banking

Loan approval decisions are not made individually but by the credit approval committee. Specific delegations of authority are granted to foreign branches.

Role of the lending unit

The lending unit, which reports directly to executive management, is present at various operational levels:

Lending at the central level

Coordination of the unit and involvement in the key tasks and files are carried out from Strasbourg (CM) and Paris (CIC).

Lending at the regional level

A regional presence throughout CM-CIC is provided by specialized teams both in the regional departments and, where applicable, in the various "sub-regional" departments.

First category of lending unit personnel:
those involved in credit approval

In accordance with prevailing regulations, lending unit personnel involved in the credit approval process exercise their dual review responsibilities independently of line personnel directly and structurally in liaison with customers.

Lending unit personnel involved in the credit approval process generally contribute to the unit's work in the area of credit monitoring and management of at-risk items. Their work includes operational involvement in loan files and participation as an "expert" in organizational tasks.

Second category of lending unit personnel:
those not involved in credit approval

The lending unit is involved in numerous areas of credit monitoring, organization and procedures, independently of the operational side of the credit approval process:

– commitment monitoring: this monitoring involves all commitments (counterparties, risk diversification, business lines, etc.) as well as the various criteria used to monitor commitments (rating, third-parties, etc.);

– organization: the lending unit acts as project manager for the numerous computer applications used to manage commitments;

– procedures: participation in the drafting of procedures, guidelines and decision support in areas related to commitments.

Risk assessment, commitment monitoring and management of at-risk items

In accordance with the prevailing regulations, commitments are monitored by national and regional entities.

◆ Risk assessment

The CM10-CIC Group uses an array of tools that provide an aggregated, static and dynamic view of:

– exposure for a given counterparty or group of counterparties;

– new and existing loans, based on elements adapted to the business lines concerned (rating, market, lending products, business segments, return, etc.).

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

◆ Commitment monitoring

Together with other interested parties, the lending unit contributes to the quarterly, formalized monitoring of the quality of the credit risk of each business line.

The lending unit's monitoring mechanism operates, independently from the credit approval process, in addition to and in coordination with the actions taken mainly by first-level control, permanent control and the risk department. The objective is to identify as early as possible at-risk situations using specific criteria for each customer segment, either through software applications or through the relevant operations and commitments managers.

The "major risks" limits, determined based either on the bank's capital under CRBF regulation 93-05 in the case of regulatory limits, or on capital and internal counterparty ratings in the case of corporate limits, are monitored in accordance with the methods (including those covering frequency) defined in specific procedures.

Breaches and abnormal movements in accounts are monitored by using advanced risk detection tools (management of debtors/sensitive risks/automatic transfer to the out-of-court collections unit etc.), based on both external and internal criteria, in particular ratings and account histories. These criteria help to systematically flag loans for special handling as early as possible. This identification is automated, systematic and exhaustive.

Second-level controls, performed by dedicated teams independent from the lending function, identify anomalies according to specific criteria and analyze at-risk loans each month; the appropriate remedial action is determined as a result.

An automatic analysis of some 20 ratios allows the bank to identify each month branches experiencing difficulties in managing their commitments ant to take the appropriate timely action. This adds an additional layer of security to the credit risk management mechanism.

◆ Management of at-risk items

A unified definition of default based on Basel and accounting requirements

A unified definition of default was introduced for the entire CM10-CIC Group. Based on an alignment of prudential rules to accounting regulations (CRC 2002-03), this definition draws a correlation between the Basel concept of default and the accounting notion of non-performing loans and loans in litigation. The computer applications take contagion into account, which also allows related loans to be downgraded.

Identification of at-risk items

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

Transfer to non-performing, provisioning and reclassification as performing

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

Management of customers downgraded to non-performing or in litigation

The manner in which the counterparties concerned are managed depends on the severity of the situation: at the branch by the customer relationship manager or by specific, specialized staff, by market, counterparty type or collection method.

◆ Reporting

Risk committee

In accordance with the provisions of CRBF regulation 97-02, the various bodies concerned, notably the risk committee, are informed of changes in lending commitments at least once every quarter. In addition, they are informed of and participate in decisions on revisions to the various credit management measures.

Information provided to management

Detailed information on credit risks and related procedures is provided to management. This information is also submitted to a risk monitoring committee that is responsible for examining the strategic challenges faced by the CM10-CIC Group in terms of risks, in compliance with the provisions of the prevailing regulations.

Key figures

Summary credit-risk data (on- and off-statement of financial position)

The additions to the scope of consolidation used to calculate the constant scope mainly include essentially the new Federations (Loire-Atlantique and Centre-Ouest, Centre, Dauphiné Vivarais, Méditerranéen, Normandie) and the Banque Casino data.

◆ Exposure

In millions of euros, year-end principal balances	December 31st, 2011	December 31st, 2011 at constant scope	December 31st, 2010
Loans and receivables			
Credit institutions	37,775	37,690	38,720
Customers	270,738	243,729	235,620
Gross exposure	**308,513**	**281,418**	**274,340**
Impairment provisions			
Credit institutions	- 310	- 310	- 350
Customers	- 7,564	- 7,166	- 7,256
Net exposure	**300,639**	**273,942**	**266,734**

Source: accounting, excluding repurchase agreements.

◆ Exposure on commitments given

In millions of euros, year-end principal balances	December 31st, 2011	December 31st, 2011 at constant scope	December 31st, 2010
Financing commitments given			
Credit institutions	1,626	1,622	1,721
Customers	52,107	47,814	49,014
Guarantee commitments given			
Credit institutions	2,265	2,258	6,217
Customers	13,677	13,471	10,765
Provision for risks on commitments given	**139**	**139**	**145**

Source: accounting, excluding repurchase agreements.

Customer loans

◆ Outstanding loans

The total portfolio of customer loans stood at 270.7 billion euros, up 3.4% [1] compared to 2010. It mainly comprises medium and long-term loans (medium and long-term loans on the statement of financial position increased by 4.9%).

Excluding non-recurring items, the year also saw a decline in the cost of risk.

1. 2011/2010 change at constant consolidation scope.

In millions of euros, year-end principal balances	December 31st, 2011	December 31st, 2011 at constant scope	December 31st, 2010
Short-term loans	**61,239**	**58,547**	**58,140**
Current accounts-debit balances	6,993	6,709	6,942
Commercial loans	5,158	5,103	4,326
Treasury facilities	48,584	46,232	46,582
Export credits	503	503	289
Medium and long-term loans	**197,573**	**174,095**	**166,036**
Equipment loans	42,526	38,160	34,484
Housing loans	137,216	118,999	115,258
Finance leases	8,294	8,294	7,961
Other	9,538	8 642	8,332
Total gross customer loans, excluding non-performing loans and accrued income	**258,811**	**232,642**	**224,176**
Non-performing loans	11,335	10,573	10,933
Accrued income	591	516	512
Total gross customer loans	**270,738**	**243,731**	**235,620**

Source: accounting, excluding repurchase agreements.

At the end of 2011, the aggregate loan book mainly reflects the full consolidation of the new Federations and the proportional consolidation of the Banque Casino. For this entity, the outstanding amounts at the end of 2011 broke down as follows:

In millions of euros, year-end principal balances	December 31st, 2011 first-time consolidation	Relative weight December 31st, 2011
Short-term loans	**2,691**	**10.3%**
Current accounts-debit balance	284	1.1%
Commercial loans	56	0.2%
Treasury facilities	2,351	9.0%
Medium and long-term loans	**23,478**	**89.7%**
Equipment loans	4,366	16.7%
Housing loans	18,216	69.6%
Finance leases	0	0.0%
Other	895	3.4%
Total gross customers loans, excluding non-performing loans and accrued income	**26,169**	**100%**
Non-performing loans	762	
Accrued income	76	
Total gross customers loans	**27,007**	
Impairment provisions	0	

Unless otherwise specified, the comments, outstanding loans and analyses set out below (except for points "Housing loans", "Geographical risks") do not include Targobank Germany, the Cofidis group and Targobank Spain.

◆ Quality of the portfolio

The loan portfolio is of high quality. On the internal rating scale, which has nine non-default levels, customers in the best eight categories accounted for 95% of the outstanding loans.

Performing loans to customers by internal rating

	December 31st, 2011 [1]	December 31st, 2010 [2]
A + and A -	33.2%	31.1%
B + and B -	33.0%	32.6%
C + and C -	22.0%	23.1%
D + and D -	9.7%	10.6%
E +	2.1%	2.5%

Source: risk management.
1. CM10-CIC Group consolidated scope (excluding Targobank Germany, Targobank Spain and Cofidis).
2. CM5-CIC Group consolidated scope (excluding Targobank Germany, Targobank Spain and Cofidis).

CM-CIC rating	Moody's equivalent	Standard & Poor's equivalent
A +	AAA at Aa1	AAA at AA +
A -	Aa2 at Aa3	AA at AA -
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

During the financial year, housing loan outstanding increased by 3.2% at constant scope and accounted for 51.2% of the total gross customer loans on the statement of financial position. By definition made up of a very large a number of customers, they are backed by real property sureties or first-class guarantees.

In millions of euros, year-end principal balances	December 31st, 2011	December 31st, 2010
Housing loans	**137,216**	**115,258**
Secured by Crédit Logement or Cautionnement Mutuel Habitat	46,441	42,677
Secured by mortgage or equivalent, low-risk guarantee	68,684	58,916
Other guarantees [1]	22,091	13,665

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

Breakdown of loans by customer type

	December 31st, 2011 [1]	December 31st, 2010 [2]
Retail	*77%*	*76%*
Corporates	18%	18%
Large corporates	3%	4%
Specialized financing and other	2%	2%

Source: risk management.
1. CM10-CIC Group consolidated scope (excluding Targobank Germany, Targobank Spain and Cofidis).
2. CM5-CIC Group consolidated scope (excluding Targobank Germany, Targobank Spain and Cofidis).

The breakdown of loans by customer type takes into account all the entities in the CM10-CIC Group located in France.

Geographical risk

	December 31st, 2011 [1]	December 31st, 2010 [2]
France	90%	89%
Europe excluding France	8%	9%
Rest of the world	1%	1%

Source: accounting, including new acquisitions.

98% of the identified country risk is in Europe.
With marginal exceptions, the country risk exposure of the portfolio is centered on France and the OECD countries.

Concentration risk

Concentration risk is addressed in the chapter Information on Basel II pillar 3, page 60.

Major risks

Corporate

Concentration of customer credit risks	December 31st, 2011 [1]	December 31st, 2010 [2]
Commitments in excess of 300 million euros		
Number of counterparty groups	40	37
Total commitments in millions of euros	25,685	23,553
Of which total statement of financial position in millions of euros	*9,585*	*9,255*
Of which total off-statement of financial position guarantee and financing commitments in millions of euros	*16,100*	*14,298*
Commitments in excess of 100 million euros		
Number of counterparty groups	125	118
Total commitments in millions of euros	39,785	36,673
Of which total statement of financial position in millions of euros	*16,555*	*15,028*
Of which total off-statement of financial position guarantee and financing commitments in millions of euros	*23,229*	*21,645*

Source: DGR 4003. 1. CM10-CIC Group consolidated scope. 2. CM5-CIC Group consolidated scope.
Gross commitments: weighted uses statement of financial position + off-statement of financial position guarantee and financing commitments.

Banking

Concentration of customer credit risks	December 31st, 2011 [1]	December 31st, 2010 [2]
Commitments in excess of 300 million euros		
Number of counterparty groups	16	16
Total commitments in millions of euros	14,749	8,098
Of which total statement of financial position in millions of euros	*11,441*	*6,201*
Of which total off-statement of financial position guarantee and financing commitments in millions of euros	*3,308*	*1,896*

Source: DGR 4003. 1. CM10-CIC Group consolidated scope. 2. CM5-CIC Group consolidated scope.

Gross commitments: weighted uses statement of financial position + off-statement of financial position guarantee and financing commitments.

◆ Value at risk and cost of risk

Non-performing and disputed loans amounted to 11,335 million euros as of December 31st, 2011, against 10,933 million euros as of December 31st, 2010, i.e. a drop of 3.3% at constant consolidation scope.

They accounted for 4.2% of total customer loans on the statement of financial position, against 4.6% as of December 31st, 2010.

As of December 31st, 2011, actual net provisioning for known risks represented 0.380% of gross outstanding customer loans, compared to 0.539% as of December 31st, 2010. The cost of total customer risk, which includes provisions for collectively impaired receivables, amounted to 0.373% of gross outstanding loans, compared to 0.542% at December 31st, 2010. The table below summarizes the main components.

CM10-CIC	December 31st, 2011	December 31st, 2010 [1]
Cost of total customer risk	**0.38%**	**0.54%**
Banking networks [2]	0.12%	0.18%
Private individuals	0.07%	0.11%
Housing loans	0.04%	0.10%
Consumer credit Targobank Germany	1.92%	3.02%
Consumer credit Cofidis	4.48%	5.53%
Financing banking [3]	0.14%	0.22%
Private banking	0.09%	0.26%

1. CM5-CIC scope. 2. Regulatory scope CM10, CIC, BECM, CIC Iberbanco, Targobank Spain networks (excluding Targobank Germany, Cofidis and and support subsidiaries in the network). 3. Larges corporates, international (including foreign branches), specialized financing.

Quality of customer risk

In millions of euros, year-end principal balances	December 31st, 2011	December 31st, 2011 at constant scope	December 31st, 2010
Individually impaired receivables	11,335	10,573	10,933
Provision for individually impaired receivables	7,038	6,668	6,849
Provision for collectively impaired receivables	526	498	407
Coverage ratio	66.7%	67.8%	66.4%
Coverage ratio (provision for individual impairments only)	62.1%	63.1%	62.6%

Source : accounting.

Analysis of unpaid installements on customer loans that were not classified as non-performing

2011	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments [1]	0	0	0	0	0
Loans and receivables	4,141,484	47,201	1,367	2,377	4,192,429
Governments	3,562	0	0	0	3,562
Credit institutions	17,824	0	0	0	17,824
Non-financial institutions	26,714	0	0	0	26,714
Large corporates	520,178	1,905	0	2,333	524,416
Retail customers	3,573,206	45,296	1,367	44	3,619,913
Total	**4,141,484**	**47,201**	**1,367**	**2,377**	**4,192,429**

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

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.

Interbank loans [1]

◆ Interbank loans by geographic region

	December 31st, 2011	December 31st, 2010
France	47.6%	28.5%
Europe excluding France	31.7%	35.9%
Other countries	20.7%	35.6%

Source: IFC, banks only, excluding Targobank Germany, Targobank Spain and Cofidis.

The breakdown is based on the home country of the parent company.

At the end of 2011, exposures mainly relate to European (in particular French, German and UK) and North American banks. The exposure to the most troubled European banking systems continued to decrease.

◆ Structure of interbank exposure by internal rating

Interbank loans outstanding by internal rating	Equivalent external rating	December 31st, 2011	December 31st, 2010
A +	AAA/AA +	0.4%	0.6%
A -	AA/AA -	25.4%	28.5%
B +	A +/A	52.5%	43.7%
B -	A -	12.7%	6.3%
C and below	BBB + et moins	8.9%	19.5%
Not rated		0.0%	1.4%

Source: IFC, banks only, excluding Targobank Germany, Targobank Spain and Cofidis.

The structure of CM10-CIC's interbank exposure based on the internal rating changed substantially in 2011 with: a) a significant increase in outstanding loans rated B + (external equivalent A +/A) concentrated in several large French banks; and b) a decrease in outstanding loans to the weakest counterparties. All in all, 91% of outstanding loans are rated B or A, i.e. at least A - in equivalent external ratings, compared to 79% the previous year.

Sovereign risks

Information on sovereign risk is presented in note 7c, to the consolidated financial statement, page 119.

1. Figures not audited by the statutory auditors.

Debt instruments, derivative instruments and repurchase agreements

The securities portfolios are mainly held by the capital markets activity and, to a lesser extent, the asset-liability management unit.

Debt instruments in millions of euros, year-end principal balances	December 31st, 2011	December 31st 2010
	Carrying amount	Carrying amount
Government securities	16,802	16,769
Bonds	80,343	80,077
Derivative instruments	3,294	2,656
Repurchase agreements and securities lending	8,969	11,131
Gross exposure	**109,408**	**110,633**
Provisions for impairment of securities	- 212	- 102
Net exposure	**109,196**	**110,530**

Source: accounting.

Asset-liability management risk

Organization

The CM10-CIC Group's asset-liability management functions, which were previously organized on a decentralized basis, have been centralized.

The CM10-CIC Group's decision-making committees for matters concerning liquidity and interest-rate risk management are as follows:

– the ALM technical committee manages liquidity and interest rate risk in accordance with the risk limits applied within the CM10-CIC Group. The committee comprises the heads of the businesses concerned (finance department, asset-liability management, refinancing and treasury, marketing and risk) and meets at least once every quarter. The indicators compiled at consolidated level and by entity are static and dynamic liquidity gaps, static interest-rate gaps and sensitivity of net banking income and net asset value.

– The ALM monitoring committee, composed of the CM10-CIC Group's senior executives, examines changes in asset-liability management risk and approves the risk limits.

Hedging decisions are aimed at maintaining the risk indicators within the limits set for CM10-CIC as a whole and for each of the entities comprising the Group. The hedges are assigned to the entities concerned, in accordance with their needs.

The various asset-liability management risk indicators are also presented each quarter to the CM10-CIC Group's risk committee.

The role and principles governing asset-liability management are defined as follows:

– asset-liability management is a distinct function from the dealing room, with its own resources;

– the key objective of asset-liability management is to shelter lending margins from the effects of interest and exchange rate fluctuations and to ensure that the bank has sufficient liquidity to meet its obligations and protect it from a liquidity crisis;

– asset-liability management does not operate as a profit center but as a function that serves the bank's profitability and development strategy, as well as the management of liquidity risk and interest-rate risk arising from the activity of the network.

Asset-liability management helps to define the bank's sales and marketing policy in terms of lending criteria and rules governing internal transfer rates and is in constant contact with the sales teams throughout the network.

Interest-rate risk management [1]

Interest rate risk arising on the Group's commercial operations stems from interest rate differentials and differences in benchmark lending and borrowing rates. Analysis of this risk also takes into account the volatility of outstanding on products with no contractual maturity date and embedded options (early repayment and roll-over options for loans and confirmed credit line drawdowns, etc.).

Management of interest-rate risk arising on all operations connected with the banking network's business is analyzed and hedged overall based on the residual position in the statement of financial position using so-called macro-hedges. In addition, specific hedges may be established for customer loans involving a material amount or an unusual structure. Risk limits are set in relation to the annual net banking income of each bank and each group. The technical committee decides on the hedges to be put in place and allocates them pro rata to the needs of each entity.

Interest rate risk is analyzed based on the main indicators below, which are updated each quarter:

– the static fixed-rate gap, corresponding to items in the statement of financial position, both assets and liabilities, whose cash flows are considered to be certain over a horizon of 1 to 10 years, governed by limits from 3 to 7 years, measured by a net banking income ratio;

– the static "inflation" gap over a horizon of 1 to 10 years;

– the sensitivity of the net interest margin, calculated based on national scenarios and subject to limits. It is measured in annual steps, over a two-year horizon and is expressed as a percentage of each entity's net banking income.

Four scenarios are calculated:

• scenario 1 (core scenario): a 1% increase in market interest rates and a 0.33% increase in inflation;

• scenario 2: a 1% increase in market interest rates and stable inflation;

• scenario 3: a 2% increase in market interest rates and a 0.66% increase in inflation;

• scenario 4 (stress scenario): a 3% increase in short interest rates, a 1% decline in long rates and stable inflation.

In the reference scenario, net interest profit of the commercial bank for CM10-CIC Group is exposed to a lowering of rates: - 2.2% over 1 year (or - 151.1 million euros in absolute value). At 2 years, sensitivity to the fall in rates is established at - 3.6% (or - 252.7 million euros in absolute value). At December 31st, 2011, the fixed floor at inflation + 0.25% for the authorities to determine the savings rate is reached (inflation at 2.40%). 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	2.2%	3.6%
Scenario 2	3.4%	5.4%
Scenario 3	4.1%	6.8%
Scenario 4	4.4%	4.2%

– The sensitivity of Net asset value (NAV) arising from the application of the Basel II indicator:

By applying to the whole statement of financial position a uniform 200 basis points increase or decrease, it is possible to measure, as a percentage of equity, the change in the net discounted value of the main statement of financial position items based on various scenarios.

Sensitivity of Net asset value (NAV)	As a % of equity
Sensitivity + 200 basis points	+ 0.1%
Sensitivity - 200 basis points	+ 1.1%

◆ Liquidity risk management

The CM10-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 CM10-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.

◆ Breakdown of the CM10-CIC Group's consolidated statement of financial position by residual maturity of future contractual cash flows (principal and interest)

2011

In millions of euros	Residual contractual maturities ≤ 1 month [1]	> 1 month ≤ 3 months	> 3 months ≤ 1 year
Assets			
Trading financial assets	467	294	3,205
Financial assets at fair value through profit or loss	5,276	1,060	890
Derivative instruments used for hedging purposes (assets)	3	1	831
Available-for-sale financial assets	338	248	2,874
Loans and receivables (including finance leases)	38,340	10,179	22,225
Held-to-maturity investments	32	2,878	2,036
Other assets	915	13,251	1,491
Liabilities			
Central banks deposits	16	13	67
Trading financial liabilities	577	126	1,065
Financial liabilities at fair value through profit or loss	9,959	6,273	6,163
Derivative instruments used for hedging purposes (liabilities)	11	5	597
Financial liabilities carried at amortized cost	157,372	34,201	32,995
Of which debt securities, including bonds	*11,267*	*16,017*	*15,231*
Of which subordinated liabilities	*1*	*63*	*200*

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.

Residual contractual maturities				
> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity [2]	Total
4,259	4,538	2,968	465	16,197
23	2,030	4	60	9,343
27	41	24	8	935
3,102	10,439	7,034	2,880	26,915
25,576	60,696	143,585	1,845	302,445
142	715	42	0	5,845
5	45	15	1,011	16,734
47	95	44	0	282
839	2,522	1,503	11	6,642
0	0	0	0	22,395
318	752	1,289	951	3,923
21,607	55,899	29,085	4,092	335,252
8,372	*19,682*	*20,366*	*0*	*90,935*
883	*1,996*	*2,022*	*2,199*	*7,363*

2010

In millions of euros	Residual contractual maturities ≤ 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
Of which debt securities, including bonds	*15,407*	*27,882*	*19,355*
Of which subordinated liabilities	*1*	*0*	*447*

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.

Currency risk

The foreign currency positions of each Group entity are automatically centralized in the CIC holding company and in BFCM.

This centralization is performed daily for commercial transfers and for cash flows, both income and expenses, denominated in foreign currencies.

Any unrealized foreign currency gains and losses are translated into euro at the end of each month and the resulting foreign currency position is also centralized.

As such, no Group entity bears any currency risk at its own level. The holding company is responsible for clearing foreign currency positions daily and monthly via the market.

	Residual contractual maturities			
> 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	2,247	28,233
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
5,947	*12,970*	*16,547*	*0*	*98,109*
63	*2,361*	*2,536*	*2,442*	*7,850*

A specific foreign currency position limit is assigned only to the capital markets business of CM-CIC Marchés. The structural foreign currency positions arising from foreign currency advances made to foreign branches are not hedged.

Foreign exchange gains or losses are recognized in the asset or liability translation accounts and therefore do not pass through the income statement. The profits or losses of the foreign branches are retained in the foreign branches and thus add to the structural foreign currency position.

Equity risk

The CM10-CIC Group has exposure to various types of equity risks.

Assets measured at fair value through profit or loss

Equities held in the trading portfolio were at 473 million euros on December 31st, 2011 against 1,171 million euros on December 31st, 2010 and concerning only the market activities of the CIC (see note 5a of appendix to consolidated financial reports).

Equities accounted for using the fair value option through profit or los totaled:

– 1,896 million euros in shares at fair value on option, which 1,840 million euros for the capital-development activity (see note 5a of appendix to consolidated financial reports) ;

– 9,654 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.

Available-for-sale financial assets

Equities classified as available-for-sale and various long-term investments amounted to 5,531 million euros and 2,244 million euros respectively (see Note 7 to the consolidated financial statements).

Long-term equity interests included:

– Investments in non-consolidated subsidiaries totaling 1,529 million euros and in associates totaling 435 million euros: the main holdings included Caisses régionales de Crédit Mutuel Anjou and Océan (82 millions), Banco Popular Spain (248 millions), Club Sagem (175 millions), Desjardins (61 millions), Foncières des Régions (209 millions) and CRH (Caisse de Refinancement de l'Habitat) (72 millions);

– other long-term securities (277 millions), including Veolia Environnement (86 millions).

Impairment of equities

Equity positions are reviewed to identify any impairment to be recognized for listed securities in the event of a significant or prolonged drop in their price below the acquisition cost.

The resulting impairment charges amounted to 150 million euros in 2011, compared to 46 million euros in 2010.

Accordingly, as at December 31st, 2011, the acquisition value of devalued stocks was 4,739 million euros and the corresponding impairment provision was 2,286 million euros. Their market value was 2,453 million euros.

Private equity

The private equity business comprises dedicated private equity entities whose portfolios are all accounted for under the fair value option.

The portfolios comprise around 600 investment lines, relating mainly to small and medium-sized enterprises.

Risks related to the private equity business

	December 31st, 2011	December 31st, 2010
Number of listed investment lines	38	67
Number of unlisted, active investment lines	567	449
Revalued proprietary portfolio in millions of euros	1,784	1,638
Managed funds in millions of euros	725	723
Number of managed funds	39	32

Source: risk monitoring.

Market risks

◆ General structure

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

They are organized around three business lines: refinancing (transactions which are mainly recognized on BFCM's statement of financial position), commercial and proprietary operations (recognized on CIC's statement of financial position).

Refinancing

A dedicated treasury management team is responsible for refinancing all the activities of the CM10-CIC Group. It seeks to diversify its investor base in Paris, Frankfurt and London and its refinancing tools, including Crédit Mutuel-CIC Home Loan SFH.

The products concerned consist mainly of monetary instruments and futures used to hedge interest rates and exchange rates.

In addition to the pure refinancing positions, this business also has a liquidity portfolio of available-for-sale securities, essentially comprising bonds issued by financial institutions and assigned a good credit rating (at least investment grade).

Commercial

The sales teams working out of Paris or within the regional banks use a wide range of standardized tools and products. A dedicated technical desk responsible for designing, match funding and reversing positions (Conception Adossement Retournement: CAR) has been set up to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments.

The business also involves the sale of investment products such as Libre Arbitre or Stork (commercial own account), which is aimed at corporates within CM-CIC's various networks, corporates and private individuals.

Proprietary operations

This business line is organized into specialized desks for equity/hybrid instrument, credit spread, fixed income and volatility arbitrage. These activities are called upon to create value in a disciplined risk environment and to drive commercial development.

◆ Internal control structure

In 2011, the internal control function pressed ahead with its drive to improve its organization and monitoring methodologies. It continued to amend its procedures to take into account a unified system of limits incorporating the capital markets activities of the branches, present the CRD3 regulatory changes, in particular the stressed Value at Risk (VaR) and the IRC in addition to a risk measurement in VaR/stress tests and the regulatory risk measurement (Capital adequacy Directive (CAD) and European Capital Adequacy under Basel II standards).

A set of methodologies is formalized in a "body of rules". Regular updates throughout the year have included new products and improved the monitoring of risk measurement.

CIC's capital markets activities are organized as follows:

– they are under the responsibility of a member of executive management in charge of markets activities;

– the front-office units that execute transactions are segregated from those responsible for monitoring risks and results (control function) and from those in charge of transaction validation, settlement and recording (back-office function);

– internal control teams operate under the responsibility of the Group's risk division, which compiles management reports summarizing risk exposures and has the boards of directors of CIC and BFCM validate the level of capital allocated/consumed;

– the permanent controls system is based on first-level controls performed by three teams:

• the risks and results team validates production, monitors results on a daily basis and ensures compliance with limits,

• a team in charge of accounting and regulatory issues is responsible for reconciling accounting and economic results, for providing oversight on regulatory matters, and the control of operational risks,

• a CM-CIC Marchés team covering legal compliance is responsible for first-level legal issues;

– second-level controls organized around:

• capital markets businesses' permanent controls function (CPMM), which reports to the permanent control department, supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls on activities,

• CIC's lending department, which monitors at-risk outstanding for each counterparty group,

• CIC's legal and tax department, which works with the CM-CIC Marchés capital markets legal team,

• CIC's finance department, which supervises accounting procedures and templates and is responsible for accounting and regulatory controls;

– the CM10-CIC Group's periodic controls team, which uses a team of specialist auditors to carry out periodic controls and compliance checks in respect of capital markets activities.

A market risk committee that meets monthly is responsible for monitoring the strategy, results and risks of CM-CIC Marchés (in France and in the branches) in relation to the limits prescribed by the boards of directors of CIC and BFCM. It is chaired by the member of executive management in charge of CM-CIC Marchés and comprises the chief operating officer of CIC and BFCM, the front office, post-market, back office and accounting and regulatory control managers, and the manager of the risk department and the Group permanent control department. The boards of directors of CIC and BFCM are kept informed on a regular basis of the risks and results of these activities.

Risk management [1]

The system used to set exposure limits for market risk is based on:
– an overall limit for regulatory capital (CAD/European capital adequacy) and for VaR;
– internal rules and scenarios (CAD risks, historical VaR and stress tests), which convert exposures into potential losses.

The limits set are intended to cover various types of market risks (interest rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk and for each desk.

If the overall limit and/or the limit assigned to each business line is exceeded, the Group risk department is responsible for monitoring and managing the excess exposure.

Risks are monitored based on first-tier indicators such as sensitivity to various market risk factors (mainly for traders), and second-tier indicators such as potential losses, to provide an accessible overview of capital markets exposures for decision-makers.

Regulatory capital allocated in 2011 to proprietary operations and commercial businesses in metropolitan France remained stable compared to 2010.

The capital consumed by the RMBS business conducted in the New York branch continued to fall in line with the amortization of the portfolio securities managed on a run-off basis. Trading activities are maintained within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight treasury position must not exceed a certain limit with an intermediate warning limit, the two limits being set by the department and approved by the board of directors. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal trading desk risks are as follows:
– Refinancing

BFCM's market risks mainly relate to the liquidity portfolio. They are calculated based on the CAD and European capital adequacy requirement. In 2011, the overall consumption of risk capital fell from 110 million euros to 95 million euros. This change was attributable to a drop in European capital adequacy requirements (as a result of the maturing of banking portfolio transactions), offset partly by an increase in CAD in respect of general interest rate risk.
– Hybrid instruments

Consumption of risk capital averaged 71 million euros in 2011, ending the year at 74 million euros due to generally long positions in proprietary trading activities. Convertible bond holdings thus stood at 2,5 billion euros at the end of 2011 (compared with 2,8 billion euros in 2010).
– Credit

These positions correspond to either securities/CDS arbitrage or to credit correlation positions (Itraxx/CDX tranches) or asset-backed securities. On the credit arbitrage portfolio, consumption of risk capital remained stable at around 40 million euros until September 2011, ending slightly lower at 34 million euros in December. On the ABS portfolio, consumption of risk capital remained stable at around 70 million euros during the year, before increasing to 92 million euros at year end. This technical increase of 20 million euros was due to the entry into force of CRD3 with regard to the securitization portfolio at December 31st, 2011. As regards the credit correlation business, exclusively based on Itraxx/CDX tranches, consumption of risk capital remained stable, averaging around 15 million euros during the year.
– Mergers and Acquisitions (M&A) and miscellaneous equities

Consumption of risk capital was 42 million euros on average in 2011, ending the year at 32 million euros. This decrease followed the change in outstanding and the removal of OST from M&A. M&A outstanding totaled 256 million euros in December 2011 compared to 283 million euros at the end of 2010.
– Fixed income

The positions relate to directional and yield-curve arbitrage, typically with underlying government securities, mostly European. Positions related to peripheral governments, including Greece (more than 70% provisioned at year end), are very limited. The position on Italy was reduced by approximately 40% over the past two years, falling to approximately 3 billion euros, the bulk of which matures in 2012 and 2014. Government securities totaled 8,8 billion euros at the end of 2011, compared to 9,5 billion euros in 2010, of which 4.8 billion euros related to France.

The limits of these activities were revised downward for 2012.

1. Figures not audited by the statutory auditors.

◆ 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 (lending committees, market risks committees).

Capital adequacy ratio [1]

In accordance with article 4.1 of CRBF regulation 2000-03, the following subsidiaries are exempted from individual or sub-consolidated surveillance: BFCM, Sofemo, BCMI, Crédit Mutuel-CIC Home Loan SFH and CIC Iberbanco. The other regulated units are subject to individual or sub-consolidated oversight.

The information on the risks of the solvency ratio for the CM10-CIC Group are presented in the chapter Information on Basel II pillar 3.

Operational risks [1]

In the context of the Basel II capital adequacy regulations, the Crédit Mutuel-CIC Group has implemented a comprehensive operational risk management system under the responsibility of senior management. Group-wide guidelines describe the risks concerned and the quantitative evaluation methods to be used.

The Group has an overall operational risk management function that is clearly identified and split in practice between the national function and the regional functions. This function covers operational risk, disaster recovery plans and insurance taken out to cover these risks.

The system in place for measuring and monitoring operational risk is based on a common platform applied throughout the Crédit Mutuel-CIC Group using an approach for identifying and modeling risks, whose aim is to calculate the level of capital required to be held in respect of operational risk.

Since January 1st, 2010, Crédit Mutuel-CIC has been authorized to use its advanced measurement approach to calculate its capital adequacy requirements in respect of operational risk, with the exception of the deduction of expected losses from its capital adequacy requirement and the taking into account of insurance, for the consolidated Group excluding the foreign subsidiaries, Factocic and Cofidis.

◆ Main objectives

The operational risk management policy set up by the Group is designed:

– to contribute to the Group's effective management by controlling risks and the associated costs;

– from a human perspective, to protect staff, develop responsibility, autonomy and control, and leverage skills Group-wide;

– from an economic standpoint, to protect margins by effectively managing risk across all activities, ensure returns on the investments made to achieve compliance with banking regulations, optimize capital allocated in respect of risk and adapt insurance policies to the risks identified;

1. Figures not audited by the statutory auditors.

– from a regulatory standpoint, to respond effectively to Basel II capital requirements and supervisory authorities, develop a reliable system of internal control (CRBF 97.02), optimize disaster recovery plans for mission-critical operations and adapt financial reporting (third pillar of Basel II).

◆ Role and positioning of the management function

The national operational risk management function coordinates and consolidates the entire procedure through deploying a dedicated team and also assists the operational risk managers in the regional groups.

The regional operational risk management function implements the risk procedure and verifies that it is consistent with the national risk management policy.

◆ Measurement and control procedure

For modeling purposes, the Group relies mainly on the national database of internal losses, based on an external database and on scenarios developed within the context of mappings and statistical work, performed in accordance with common procedures and regulatory requirements.

Risk maps broken down by business line and by risk type and objects have been drawn up for all activities, with probability-based models culled from the work of outside experts. These are validated by the operational risk technical committee. Capital adequacy requirements are calculated at national level and are then split at regional level.

Operational risk mitigation techniques include:

– preventative actions identified during the mapping process and implemented directly by operational or permanent control staff;

– safeguard initiatives, which focus on the widespread implementation of disaster recovery plans, logistics and IT solutions for all mission-critical operations in order to limit the seriousness of any incident in the event of a crisis.

A consistent crisis management process, linked to the system for interbank operations, covers crisis communication and the three phases of disaster recovery plans: emergency, business continuity and back-on-track plans.

◆ Reporting and general oversight

Application of the operational risk management policy and risk profile is monitored using key indicators, thresholds and warnings covering the assessment of potential risks, changes in loss experience and the effectiveness of riskreduction and financing measures. The Group's executive and governance bodies are regularly provided with information on this risk data, including the requirements of CRBF 97-02.

1. Figures not audited by the statutory auditors.

◆ Documentation and procedures

The Group consistently applies a set of procedures that are approved by the managing bodies and are regularly updated, covering:

– governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, and of the national function, the frequency and recipients of reports, the scope for the monitoring of Group entities, and the methodology for the consolidation of subsidiaries;

– collection of incident information: procedures laying down the rules for collecting information and controlling internal losses;

– measurement system: procedures concerning, in particular, modeling that is probability based and drawn from the work of experts, the rules for gathering Key Risk Indicators (KRI), the basis for the allocation of capital adequacy requirements and COREP reports.

◆ Disaster recovery plans

Disaster recovery plans are part of the back-up measures put in place by the Group to limit any losses resulting from operational risk.

"Disaster recovery plan guidelines", which are the Crédit Mutuel-CIC Group reference document in this field, may be consulted by all teams concerned and are applied at the level of the regional groups. Plans are classified into two categories:

– business-specific disaster recovery plans relate to a given banking function that is associated with one of the business lines identified in accordance with Basel II;

– cross-functional disaster recovery plans relate to activities that constitute business support services (logistics, HR and IT issues).

Plans can be split into three components:

– emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;

– business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures before the occurrence of the crisis;

– back-on-track plan: this is prepared shortly after the business continuity plan kicks in; time of implementation depends on the extent of damage.

◆ Crisis management and its organization

Crisis management procedures at the level of the Group and the regions cover the most efficient organization and communications systems for handling these three phases: emergency, business continuity and back-on-track plans.

These procedures are based on:
– a crisis committee, chaired by the CEO of the bank at regional level or by the Group CEO at national level, that takes the key decisions, prioritizes action plans and handles the internal and external reporting of events;
– a crisis unit that pools information, implements the decisions and provides follow-up;
– a crisis liaison team for each business line, responsible for coordinating operations on the ground together with the crisis unit. The main focus of the team's work is putting in place a disaster recovery plan until business gets back to normal.

Insurance deducted from equity

Operational risk financing programs are reviewed as and when the results of the assessments of net risks are available, after the application of risk-mitigation techniques, and are based on the following principles:
– insurance is taken out for insurable serious or major risks and self-insurance stepped up for losses below excess levels and for intragroup risks;
– insurance is taken out for frequency risks when appropriate, or such risks are financed by withholding amounts on the operating account;
– serious risks that cannot be insured and the residual uninsured risk are recognized in the regulatory capital reserve;
– major risks arising from interbank exchange and payment systems are covered by liquidity reserves set up and allocated on an individual system basis.

The Group has a series of insurance policies covering in particular damage to goods, specific banking risks and fraud, and professional third-party liability, which it aims to utilize to reduce the consumption of regulatory capital in respect of operational risks.

Training

Each year, the Group provides operational risk training for the network managers, internal auditors and operations staff responsible for monitoring these risks.

Inventory of losses for the CM10-CIC Group

The total losses of the CM10-CIC Group reached 55.8 million euros in 2011, of which 112.8 million in losses and 57 million net reversals of reserves on sinister past.

The total incurred losses are defined below:
– fraud: 29.1 million euros;
– business relationship: 4.6 million euros;
– human error or procedure failure: - 1.4 million euros; (recovery of provisions);
– legal: 19.9 million euros;
– natural phenomena and systems malfunctioning: 3.5 million euros.

Other risks

Legal risks

Legal risks are incorporated into operational risks and concern, among other things, exposure to fines, penalties and damages for faults by the business in respect of its operations.

Industrial and environmental risks

Industrial and environmental risks are incorporated into operational risks and are analyzed from the perspective of system malfunctions and the occurrence of natural disasters (hundred-year flood, downpoor, earthquakes, pollution, etc.), their impact on the business and means of prevention and protection to be put in place, notably crisis management and disaster recovery plans.

Information on Basel II pillar 3

Information published in accordance with the transparency requirements of the order of February 20th, 2007 regarding capital requirements.

Risk management

Risk management policies and procedures implemented

The risk management policy and the procedures implemented are detailed in the section entitled "Risk management".

Structure and organization of the risk management function

Within the Group, the three bodies responsible for measuring, monitoring and controlling risks are the risk department, the risk committee and the risk monitoring committee.

The group's risk monitoring procedures comply with the provisions of the order of January 19th, 2010, which amended regulation 97-02 of the French banking and financial regulation committee (comité de la réglementation bancaire et financière, CRBF) on the risk management function, whose mission it defines.

Group risk department

The mission of the group risk department, which regularly analyzes and reviews all types of risks with a view towards the return on allocated regulatory capital, is to contribute to the group's growth and profitability whilst ensuring the quality of the risk management procedures.

Group risk committee

This committee meets quarterly and includes the operational risk managers, the heads of the business lines and functions involved and general management. The head of the risk department draws up the agenda and management reports, details the main risks and any changes thereto and chairs meetings. This committee is responsible for overall ex post and ex ante risk monitoring.

Group risk monitoring committee

This committee consists of members of the deliberative bodies and meets twice a year to review the group's strategic challenges in the risk area. Based on the findings presented, it makes recommendations on all decisions of a prudential nature applicable to all Group entities.

The head of the risk department chairs the meetings of this committee and presents the files prepared for the various risk areas based on the work of the group risk committee. General management also participates in the meetings of this committee, which may also invite the heads of the business lines with a stake in the items on the meeting agenda.

Scope and nature of risk reporting and measurement systems

In collaboration with the various business lines, CM10-CIC's group risk department regularly produces summary management reports which review the various risks: credit, market, overall interest rate, intermediation, settlement, liquidity and operational risks. All the Group's main business lines are subject to monitoring and reporting. These management reports are based mainly on the Basel II tools common to the entire Group and interfaced with the accounting systems.

The detail of deeply subordinated notes of the CM10-CIC Group at December 31st, 2011 is as follows :

In millions of euros Transmitter	Issue date	Issue amount	Maturity
BFCM	October 17th	700	perpetual
BFCM	December 15th	750	perpetual
BFCM	April 28th	600	perpetual
BFCM	February 25th	250	perpetual

Composition of the capital

Regulatory capital is determined in accordance with CRBF regulation n° 90-02 of February 23st, 1990.

It is split into Tier 1 and Tier 2 capital, from which certain amounts are deducted.

◆ Tier one capital

Tier 1 capital is determined on the basis of the consolidated equity as per the financial statements, to which "prudential filters" are applied.

These adjustments involve mainly:

– anticipating dividend payments;

– deducting goodwill and other intangible assets;

– deducting unrealized gains on equity instruments, net of the tax already deducted for accounting purposes (currency by currency) and the transfer, currency by currency, of 45% of such unrealized gains before tax to Tier 2 capital;

– adjustments are not made in respect of net unrealized losses;

– eliminating unrealized gains and losses recognized for accounting purposes directly in equity due to a cash flow hedge and those relating to other financial instruments, including debt instruments and loans and receivables.

◆ The core capital eligible with ceiling

Hybrid securities are eligible, subject to a maximum amount, for inclusion in Tier 1 capital, following the agreement of the general secretariat of the French prudential supervisory authority (autorité de contrôle prudentiel, ACP), provided they meet the eligibility criteria stipulated in regulation n° 90-02 as amended by the order of August 25th, 2010.

The securities concerned are deeply subordinated securities issued in accordance with the provisions of article L.228-97 of the French commercial code.

There are limits on the percentage of Tier 1 capital that may consist of hybrid instruments: innovative hybrid instruments, i.e. those with strong incentives to redeem such as step-ups, may constitute only 15% of Tier 1 capital and hybrid instruments as a whole may constitute only 35% of Tier 1 capital.

Call date	Rate	Innovative	Amount December 31st, 2011
from October 17th, 2018	10.30% then EURIBOR 3 months + 6.65% from 10/17/2018	Yes	700
from December 15th, 2014	6% then EUR CMS10 + 0,10% or 8% maximum from 06/15/2006	No	750
from October 28th, 2015	4.471% then EURIBOR 3 months + 1.85% from 10/28/2015	Yes	404
from February 25th, 2015	7% then EUR CMS10 + 0.10% or 8% maximum from 02/25/2007	No	250

Composition of Tier 2 capital

Tier 2 capital consists of:

– capital arising from the issue of subordinated securities or debt which comply with the provisions of article 4c of regulation 90-02 relating to capital (perpetual subordinated securities) or of article 4d of such regulation (redeemable subordinated securities);

– in the case of equity instruments, 45% of unrealized capital gains transferred currency by currency before tax are recognized as Tier 2 capital;

– the positive difference between the expected losses calculated using the internal ratings-based approaches and the total of the value adjustments and collective impairment losses in respect of the exposures concerned.

Deductions

In the case of the following deductions, 50% of their amount is deducted from Tier 1 capital and 50% from Tier 2 capital.

These deductions include, in particular, those elements covered by articles 6 and 6 quater of regulation 90-02 relating to capital, in particular investments in non-consolidated companies representing more than 10% of the capital of a credit institution or investment firm, as well as subordinated debt and all other elements making up the equity.

They also include expected losses on equity exposures as well as expected losses on outstanding loans not covered by provisions and value adjustments, dealt with in accordance with the internal ratings-based approach.

The transitional method specified by article 6 of CRBF regulation n° 90-02 concerning the treatment of investments in insurance companies is applied: until December 31st, 2012, institutions may deduct from their capital the consolidated value of insurance company securities held, if they were acquired before January 1st, 2007.

In millions of euros	December 31st, 2011	December 31st, 2010
Tier 1 capital, net of deductions	**21.5**	**19.3**
Capital	5.6	5.1
Eligible reserves	21.0	17.9
Hybrid securities included with the ACP's approval	2.1	2.3
Deductions from Tier 1 capital (including intangible assets)	- 7.2	- 6.0
Tier 2 capital, net of deductions	**0.0**	**0.1**
Subordinated notes and other element of Tier 2 capital	4.1	4.7
Deductions from Tier 2 capital (including insurance companies securities)	- 4.1	- 4.7
Total capital for capital adequacy ratio calculation	**21.5**	**19.4**
Risk-weighted assets in respect of credit risk	151.2	145.7
Risk-weighted assets in respect of market risk	4.8	4.3
Risk-weighted assets in respect of operational risk	15.8	14.8
Total risk-weighted assets before taking into account additional requirements (transitional measures)	**171.8**	**164.8**
Additional requirements in respect of floor levels (transitional measures)	24.6	15.1
Total risk-weighted assets	**196.4**	**179.9**
Capital adequacy ratio – total ratio	**11.0%**	**10.8%**

Capital adequacy

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and to use stress scenarios to assess their capital requirements in the event of an economic downturn. The effect of this pillar is to structure the dialogue between the bank and the ACP on the adequacy of the institution's capital. The work carried out by the Group to bring it into compliance with the requirements of Pillar 2 are in line with improvements being made to the credit risk measuring and monitoring procedures. During 2008, the Group introduced its internal capital assessment process in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). The methods for measuring economic need have been broadened and, at the same time, management and control procedures have been drafted with the aim of defining the group's risk policy and various stress scenarios have been developed. The difference between economic capital and regulatory capital constitutes the margin which enables the level of the Group's capital to be secured. This margin depends on the Group's risk profile and its degree of risk aversion.

In millions of euros	December 31st, 2011	December 31st, 2010
Capital requirements in respect of credit risk	**12,099**	**11,655**
Standardized approach		
Central governments and central banks	7	12
Credit institutions	149	176
Corporates	6,166	5,693
Retail customers	1,539	1,465
Equities	55	60
Securitization positions under the standardized approach	30	15
Other assets not corresponding to credit obligations	64	43
Internal ratings-based approach		
Credit institutions	470	478
Retail customers		
Small and medium-sized entities	506	474
Real estate loans	719	650
Other exposures to retail customers	483	551
Equities		
Private equity (190% weighting)	224	194
Listed equities (290% weighting)	201	265
Other equities (370% weighting)	123	138
Other assets not corresponding to credit obligations	363	380
Securitization positions	1,001	1,062
Capital requirements in respect of market risk	**381**	**347**
Interest rate risk	175	240
Equity price risk	83	63
Currency risk		44
Risk on securitization portfolio	65	
Risk on correlation portfolio	58	
Market risk under the standardized approach on commodity positions		
Capital requirements in respect of operational risk	**1,265**	**1,181**
Total capital requirements	**13,745**	**13,183**

Concentration risk

Exposures by category

In billions of euros	Average at December 31st, 2011	Average exposure 2011	Average at December 31st, 2010
Central governments and central banks	48.7	49.1	38.5
Credit institutions	42.8	39.4	50.7
Corporates	101.9	100.4	95.4
Retail customers	231.3	229.3	201.8
Equities	3.3	3.6	3.4
Securitization	5.7	6.1	7.7
Other assets not corresponding to credit obligations	5.3	5.3	5.3
Total	**438.9**	**433.3**	**402.8**

Historically, the Crédit Mutuel's priority is to develop an expanded membership of individuals. At the outset, most of CIC's business was in the corporate sector. It is, however, gradually increasing its presence in the retail segment. It continues however to have a business customer base.

The composition of the Group's portfolio reflects these fundamental, with a share of retail customers increasing steadily to 52% at December 31st, 2011 (against 50% at December 31st, 2010).

Breakdown of exposures by counterparty's country of residence

At December 31st, 2011

Exposure category	France	Germany	Other EEA member states [1]	Rest of the world	Total
Central governments and central banks	8.7%	0.5%	1.7%	0.8%	11.6%
Credit institutions	6.8%	0.3%	1.2%	1.1%	9.4%
Corporates	19.1%	0.8%	2.0%	2.0%	23.9%
Retail customers	49.0%	3.4%	1.6%	1.2%	55.2%
Total	**83.6%**	**4.9%**	**6.6%**	**5.0%**	**100.0%**

1. EEA: member states of the European Economic Area.

At December 31st, 2010

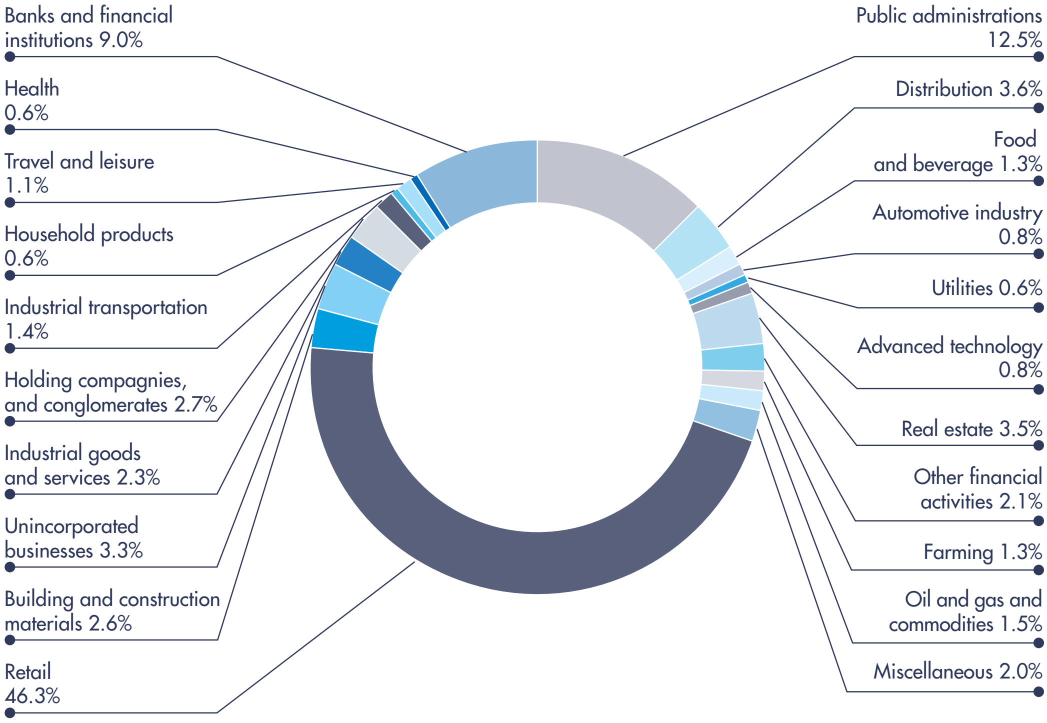
Exposure category	France	Germany	Other EEA member states	Rest of the world	Total
Central governments and central banks	5.9%	0.5%	2.1%	1.5%	10.0%
Credit institutions	9.5%	0.3%	1.5%	1.8%	13.1%
Corporates	19.7%	0.8%	2.0%	2.1%	24.7%
Retail customers	45.7%	3.8%	1.5%	1.2%	52.2%
Total	**80.9%**	**5.5%**	**7.1%**	**6.6%**	**100.0%**

The Group is essentially French and European. The geographical breakdown of gross exposures reflects this, with 95% of commitments in the European Economic Area.

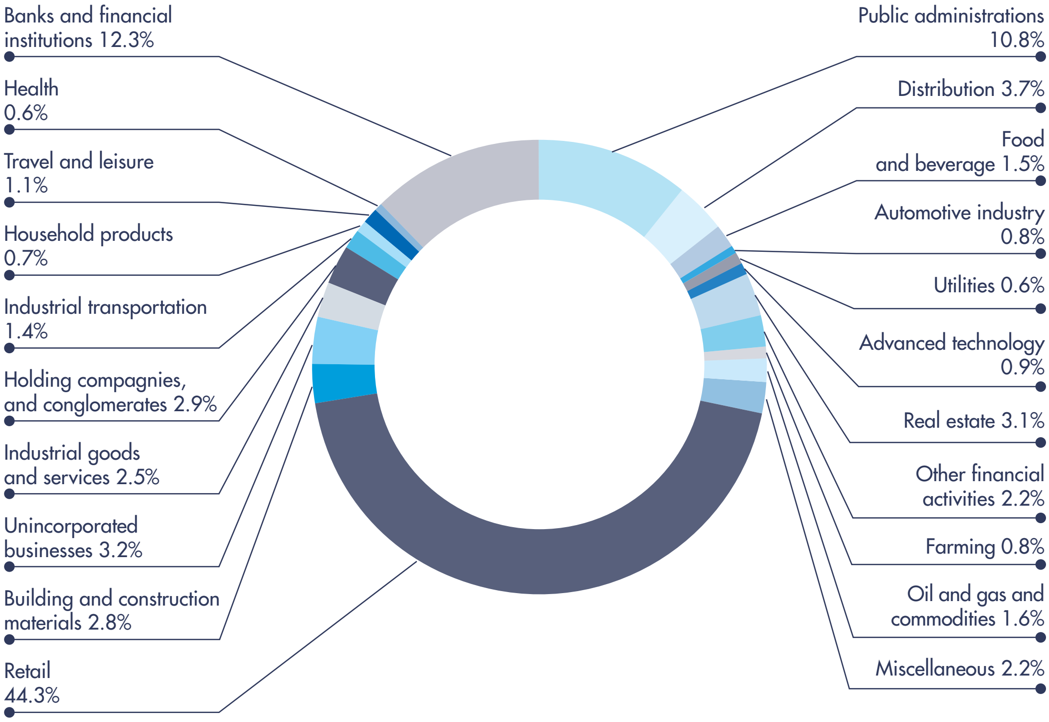
◆ Exposures by sector

The scope for the breakdown by business sector consists of central governments and central banks, credit institutions, corporates and retail customers.

December 31st, 2011



December 31st, 2010



Standardized approach

The Group uses, primarity, the assessments of the rating agencies, Standard & Poor's, Moody's and Fitch Ratings to measure sovereign risk on exposures linked to central governments and central banks. The cross-reference table used to equate the credit quality rating for the purpose to the external ratings taken into consideration is that defined in the regulations.

Exposures under the standardized approach

Repartition at December 31st, 2011

In billions of euros	Weightings at		
Gross exposures	**0%**	**10%**	**20%**
Central governments and central banks	48.1	0.0	0.1
Local and regional authorities	0.0	0.0	4.4
Credit institutions	0.0	0.5	4.1
Corporates	0.0	0.0	1.4
Retail customers	0.0	0.0	0.0
Value exposed to risk	**0%**	**10%**	**20%**
Central governments and central banks	47.6	0.0	0.1
Local and regional authorities	0.0	0.0	3.9
Credit institutions	0.0	0.5	3.7
Corporates	0.0	0.0	1.2
Retail customers	0.0	0.0	0.0

Repartition at December 31st, 2010

In billions of euros	Weightings at		
Gross exposures	**0%**	**10%**	**20%**
Central governments and central banks	37.9	0.0	0.1
Local and regional authorities	0.0	0.0	3.1
Credit institutions	0.0	0.6	8.4
Entreprises	0.0	0.0	0.9
Retail customers	0.0	0.0	0.0
Value exposed to risk	**0%**	**10%**	**20%**
Central governments and central banks	37.8	0.0	0.1
Local and regional authorities	0.0	0.0	2.7
Credit institutions	0.0	0.6	7.2
Corporates	0.0	0.0	0.7
Retail customers	0.0	0.0	0.0

Exposures to central governments and central banks are almost exclusively weighted at 0%. The capital requirements associated with this portfolio are evidence of a limited sovereign risk for the Group with regard to high-quality counterparties.

Exposures to credit institutions and customers under the standardized approach are those of the foreign subsidiaries assessed under the standardized approach at this stage. The corporates category is assessed under the standardized approach with weightings of 100% or 150% depending on the weighting of the counterparty's country of residence.

					December 31st, 2011
35%	50%	75%	100%	150%	Total
0.0	0.4	0.0	0.1	0.0	48.7
0.0	0.0	0.0	0.0	0.0	4.4
0.0	0.3	0.0	0.1	0.1	4.9
0.1	3.4	0.0	95.3	1.7	101.9
2.9	0.1	27.9	5.1	0.1	36.2
35%	50%	75%	100%	150%	Total
0.0	0.2	0.0	0.1	0.0	47.9
0.0	0.0	0.0	0.0	0.0	3.9
0.0	0.3	0.0	0.1	0.1	4.6
0.0	3.2	0.0	73.6	1.6	79.6
2.9	0.1	21.9	1.7	0.1	26.6

					December 31st, 2010
35%	50%	75%	100%	150%	Total
0.0	0.4	0.0	0.1	0.0	38.5
0.0	0.0	0.0	0.0	0.0	3.1
0.0	0.1	0.0	0.1	0.0	9.3
0.0	2.9	0.0	90.1	1.5	95.4
2.5	0.1	27.0	5.5	0.1	35.2
35%	50%	75%	100%	150%	Total
0.0	0.2	0.0	0.1	0.0	38.2
0.0	0.0	0.0	0.0	0.0	2.7
0.0	0.1	0.0	0.1	0.0	8.0
0.0	2.8	0.0	68.1	1.3	72.8
2.3	0.1	20.6	1.9	0.1	25.0

Rating system

◆ Authorization

The Group has, since June 30th, 2008, been authorized to use its internal credit risk rating system using the advanced method to calculate regulatory capital requirements in respect of the retail customer portfolio.

The Group has also, since December 31st, 2008, been authorized to use its internal rating system in respect of the bank portfolio.

The Group is, for the moment, continuing to use the standardized approach in respect of the exposures of the foreign subsidiaries.

◆ Description and control of rating system

A single rating system for the entire Group

Rating algorithms and expert models have been developed to improve the Group's credit risk assessment and to comply with the regulatory requirements concerning internal ratings-based approaches.

This rating system is the same as that used by the Crédit Mutuel Group. The Confédération Nationale du Crédit Mutuel (CNCM) is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests. The group's counterparty rating system is common to the entire Crédit Mutuel Group.

The Group's counterparties eligible for internal approaches are rated by a single system which is based on:

– statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk for the following segments:
- individuals,
- retail legal entities,
- non-trading real estate companies,
- individual entrepreneurs,
- not-for-profit organizations;

– manual rating grids drawn up by experts for banks and covered bonds.

These models (algorithms or grids) are used to differentiate and correctly classify risk. The scale reflects the manner in which the risk changes and is broken down into eleven positions including nine performing positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and two default positions (E-, E= and F).

A unified definition of default in accordance with Basel and accounting requirements

A unified definition of default has been adopted for the entire Crédit Mutuel Group. Based on the principle of aligning prudential information with accounting information (CRC 2002-03), this is reflected in the matching of the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation. Information systems take into account contagion, thereby enabling the downgrading to be extended to the related outstandings. The controls carried out by internal audit and by the statutory auditors ensure the reliability of the procedures for identifying defaults used to calculate capital adequacy requirements.

Internal rating system: formalized monitoring procedures

The quality of the rating system is monitored using national procedures which specify the topics to be reviewed, the warning thresholds and responsibilities of the personnel involved. These documents are updated by CNCM's risk department as often as is necessary based on the decisions ratified.

Reporting of the monitoring of the mass rating models focuses on three main aspects: stability assessment, performance and additional analyses. Reports are drawn up in respect of each mass rating model on a quarterly basis and supplemented by monitoring work and annual and half-yearly checks, which are more detailed.

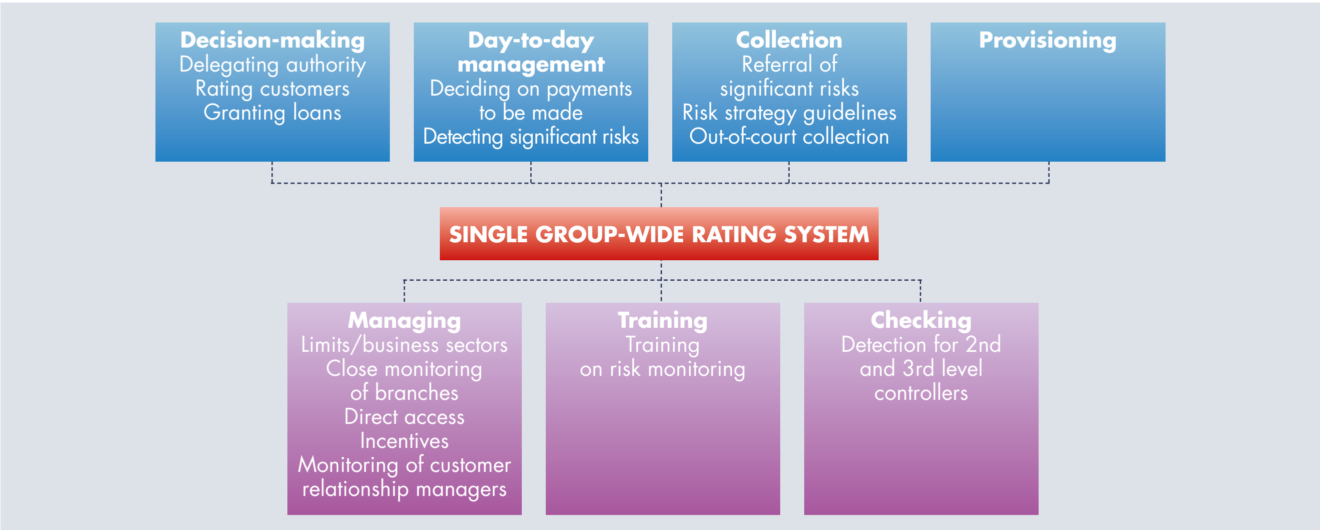
The parameters used to calculate weighted risks are national and apply to all Group entities. The annual monitoring of default probabilities is carried out prior to any new estimate of the regulatory parameter. This monitoring is supplemented by intermediate monitoring, carried out on a half-yearly basis. The procedures for monitoring LGD (loss given default) and CCF (credit conversion factors) are implemented on an annual basis, their main objective being to validate, at the level of each segment, the values used by these parameters. In the case of loss given default, this validation is carried out on the one hand by verifying the strength of the prudence margin calculation methods and, on the other hand, by reconciling the LGD estimators with the most recent data and actual figures. As regards the CCF, it is validated by reconciling the estimators with the most recent CCFs observed.

The internal rating system comes within the scope of both permanent control and periodic control

The Group's permanent control plan concerning Basel II comprises two levels. At national level, permanent control is involved on the one hand in validating new models and significant adjustments made to existing models and, on the other hand, in the ongoing monitoring of the internal rating system (and, in particular, its parameters). At regional level, permanent control verifies the overall suitability of the internal rating system, the operational aspects related to the production and calculation of ratings, the credit risk management procedures directly related to the internal rating system and the quality of the data.

As regards periodic control, the Group's audit unit carries out an annual review of the internal rating system. A framework procedure defines the type of assignments to be carried out on an ongoing basis on the Basel II procedures as well as the breakdown of responsabilities between the regional and national audit units.

Integration of the internal rating system into the group's operational processes



The regional Groups implement the national Basel II procedures on the basis of measures tailored to their specific situation (composition of committees, risk management procedures, etc.). In accordance with the regulations, the Basel II procedures are implemented within the various Group entities at all levels of the credit management process, as shown in the following diagram depicting the manner in which ratings are used.

The following measures ensure the overall consistency of the procedures:
– the circulation of national procedures by CNCM;
– communication between Group entities on best practice;
– the use by almost all Group entities of the same information system, determining the Group's structure (same applications used throughout the Group);
– reporting applications, which verify the consistency of the practices adopted.

The aim of these applications and responsibilities is to ensure that the Group complies with regulatory requirements and that the manner in which the internal rating system is used is consistent throughout the Group. Details of the methodological guidelines, progress made regarding the procedures and the main consequences of the reform are regularly presented to all Crédit Mutuel Federations, CIC's banks and the Group's subsidiaries.

Value exposed to risk (Exposure At Default, EAD) by exposure category

Internal ratings-based approach	December 31st, 2011		December 31st, 2010		Change	
In billions of euros	Value exposed to risk	Value adjustments	Value exposed to risk	Value adjustments	Value exposed to risk	Value adjustments
Foundation internal ratings-based approach						
Credit institutions	32.2	0.0	37.6	0.0	- 5.4	0.0
Advanced internal ratings-based approach						
Retail customers						
Revolving	5.7	0.1	0.7	0.0	5.0	0.1
Residential real estate	82.3	0.5	69.9	0.4	12.5	0.1
Other	96.5	2.1	88.6	1.9	7.9	0.1
Total	**216.8**	**2.6**	**196.7**	**2.4**	**20.1**	**0.2**

Value exposed to risk dealt with under the advanced internal ratings-based approach by category and by internal rating (excluding exposures at default)

Retail – Individuals

In millions of euros December 31st, 2011	Credit quality step	Gross exposure	Exposure at default (EAD)	Risk weighted assets (RWA)	Risk weight (RW)	Expected loss (EL)
Real estate						
D1-Real estate	1	4,404	4,329	64	1.5%	0
D1-Real estate	2	23,557	23,241	394	1.7%	1
D1-Real estate	3	13,406	13,246	543	4.1%	3
D1-Real estate	4	12,243	12,117	960	7.9%	6
D1-Real estate	5	6,741	6,669	900	13.5%	7
D1-Real estate	6	2,994	2,924	709	24.3%	8
D1-Real estate	7	1,704	1,688	566	33.5%	8
D1-Real estate	8	1,704	1,694	749	44.2%	14
D1-Real estate	9	1,119	1,114	669	60.1%	26
Revolving						
D2-Revolving	1	271	116	1	0.8%	0
D2-Revolving	2	2,321	1,101	10	0.9%	0
D2-Revolving	3	2,230	1,173	23	2.0%	0
D2-Revolving	4	2,203	1,290	58	4.5%	1
D2-Revolving	5	1,065	684	65	9.6%	2
D2-Revolving	6	697	468	81	17.3%	3
D2-Revolving	7	330	237	66	27.7%	3
D2-Revolving	8	296	231	90	38.9%	4
D2-Revolving	9	144	121	76	62.6%	6

In millions of euros December 31st, 2011	Credit quality step	Exposition exposure	Exposure at default (EAD)	Risk weighted assets (RWA)	Risk weight (RW)	Expected loss (EL)
Other loans						
D3-Other loans	1	5,294	4,999	91	1.8%	0
D3-Other loans	2	22,651	21,848	422	1.9%	1
D3-Other loans	3	11,349	10,909	518	4,8%	2
D3-Other loans	4	9,195	8,843	804	9,1%	5
D3-Other loans	5	4,660	4,476	679	15.2%	7
D3-Other loans	6	3,311	2,805	507	18.1%	11
D3-Other loans	7	1,396	1,349	327	24.2%	10
D3-Other loans	8	1,162	1,139	300	26.3%	15
D3-Other loans	9	722	709	274	38.7%	26

These figures correspond to the target Basel II regulations, without taking into account the Basel I 80% threshold.

Retail – Other

In millions of euros December 31st, 2011	Credit quality step	Exposition exposure	Exposure at default (EAD)	Risk weighted assets (RWA)	Risk weight (RW)	Expected loss (EL)
Real estate						
D1-Real estate	1	2,371	2,337	114	4.9%	1
D1-Real estate	2	3,435	3,398	267	7.9%	2
D1-Real estate	3	2,077	2,052	291	14.2%	2
D1-Real estate	4	1,646	1,621	362	22.3%	4
D1-Real estate	5	1,424	1,404	421	30.0%	5
D1-Real estate	6	1,057	1,045	369	35.3%	5
D1-Real estate	7	765	758	352	46.4%	7
D1-Real estate	8	552	549	302	55.0%	8
D1-Real estate	9	513	511	313	61.2%	16
Revolving						
D2-Revolving	1	67	34	1	2.3%	0
D2-Revolving	2	59	32	2	4.9%	0
D2-Revolving	3	30	17	2	8.9%	0
D2-Revolving	4	23	14	2	11.9%	0
D2-Revolving	5	19	12	2	17.0%	0
D2-Revolving	6	33	21	5	25.5%	0
D2-Revolving	7	16	11	4	35.3%	0
D2-Revolving	8	16	12	6	47.2%	0
D2-Revolving	9	12	10	6	65.2%	1

In millions of euros December 31st, 2011	Credit quality step	Gross exposure	Exposure at default (EAD)	Risk weighted assets (RWA)	Risk weight (RW) %	Expected loss (EL)
Other loans						
D3-Other loans	1	7,200	6,689	554	8.3	3
D3-Other loans	2	7,526	7,105	841	11.8	6
D3-Other loans	3	5,436	5,111	905	17.7	9
D3-Other loans	4	4,540	4,238	926	21.9	15
D3-Other loans	5	4,568	4,208	1,029	24.5	25
D3-Other loans	6	3,105	2,868	736	25.7	27
D3-Other loans	7	2,935	2,710	793	29.3	44
D3-Other loans	8	1,746	1,625	581	35.7	44
D3-Other loans	9	1,543	1,447	647	44.7	74

Exposures in default are not included in the above table.
The LGD (loss given default) used to calculate expected losses provides a cycle average estimate whereas the accounting information recorded relates to a given year. Consequently, a comparison of EL (expected loss) with losses for a given year is not relevant.

Trading desk counterparty risk

Counterparty risk concerns derivatives and repurchase agreements within the banking and trading portfolios.

Such transactions are entered into mainly by CM-CIC Marchés.

In this context, netting and collateral agreements have been put in place with the main counterparties, which limit exposures to counterparty risk.

In billions of euros	December 31st, 2011	December 31st, 2010
Counterparty risks	Value exposed to risk	Value exposed to risk
Derivatives	4.8	8.1
Repurchase agreements	0.5	0.1
Total	**5.3**	**8.2**

Credit risk reduction techniques

Netting

When an entity enters into a framework agreement with a counterparty, it nets its exposures to the counterparty.

Description of the main categories of security interests in property taken into account by the institution

The Group defines security interests in property as the right of the institution to liquidate, retain or obtain the transfer or ownership of certain amounts or assets such as pledged cash deposits, debt securities, equities or convertible bonds, gold, units in UCITS, life insurance policies and all types of instruments issued by a third party institution and repayable on demand.

The eligibility of security interests in property is not automatic: it is subject to prior compliance with minimum legal and operational requirements. To ensure inclusion in the credit risk reduction process, the Group has implemented applications structuring the process of obtaining and monitoring guarantees.

Operational procedures describe the characteristics of the guarantees used and the procedures for dealing with warnings generated in the event of non-compliance. These are also accompanied by detailed documentation in the form of procedures. These documents describe the caracteristics of the collateral used, the procedure and handling alerts.

In all cases, the borrower's intrinsic repayment capacity remains the paramount consideration in lending decisions.

Procedures applied with regard to the valuation and management of instruments constituting security interests in property

The procedures used to value security depends on the nature of the instrument constituting the security interest in property. Generally speaking, research carried out within the Group is based on statistical estimation methodologies, directly integrated into applications, based on external indices to which discounts may be applied depending on the type of asset accepted by way of guarantee. By exception, specific procedures stipulate expert valuations, particularly in the event that thresholds set for transactions are exceeded.

These procedures are drawn up at national level. Group entities are then responsible for operational management, monitoring valuations and enforcing security.

The main categories of protection providers

Other than intragroup guarantees, the main categories of protection providers taken into account are mutual guarantee associations specializing in home loans.

Securitization

Objectives and involvement

Objectives

In connection with its capital market activities, the Group's involvement in the securitization market concerns taking investment positions with a threefold aim: return, risk taking and diversification.

The risks concerned are mainly credit risks on the underlying assets and liquidity risk including, in particular, the changes in the European Central bank's eligibility criteria. The activity is purely an investment activity relating to senior or mezzanine tranches, but which still benefit from an external rating.

In the context of specialized financing, the Group assists its customers by acting as a sponsor (arranger or co-arranger) or sometimes as an investor in the context of the securitization of trade receivables. The conduit used is General Funding Ltd (GFL), which subscribes to senior units in the securitization vehicle and issues commercial paper. GFL benefits from a liquidity line granted by the Group, which guarantees that it will place the conduit's commercial paper. The Group is exposed mainly to credit risk on the portfolio of receivables ceded and to the risk of the capital markets drying up.

Regardless of the context of the activity, the Group is not the "originator" and only acts as sponsor on an incidental basis. It does not invest in re-securitizations.

Capital markets activities: monitoring and control procedures

Market risks in respect of the securitization positions are monitored by the risks and results team using various courses of action and daily procedures which enable trends in market risks to be monitored. The risks and results team analyzes on a daily basis the trend in the results of the securitization strategies and explains it on the basis of risk factors. It monitors compliance with the limits set in the body of rules.

The Group also monitors the credit quality of the securitization tranches on a daily basis by monitoring the ratings set by the external credit rating agencies. The actions of these agencies (upgrades, downgrades and credit watch placements) are analyzed. In addition, a quarterly summary of changes in ratings is prepared.

In the context of the counterparty limit management procedure, the following work is carried out: in-depth analysis of securitizations that have reached the Group commitment approval level, analysis of certain sensitive securitizations (issued in countries that are peripheral to the eurozone or that have been significantly downgraded). It aims, in particular, to assess the level of credit enhancement of the position as well as the performance of the underlying.

In addition, a record is prepared for each securitization tranche, regardless of the approval level, summarizing the main characteristics of the tranche held, the structure and the underlying portfolio. In the case of securitizations issued on or after January 1st, 2011, information about the performance of the underlyings has been added. This information is updated once a month. The agents' issue prospectuses and pre-sale documentation are also recorded and made available with the records, as well as the investor reports for the securitizations issued on or after January 1st, 2011.

Finally, in 2011, the capital markets business acquired an application for measuring the impact of various scenarios on the positions (trend in prepayments, defaults and recovery rates in particular).

Credit risk hedging policies

The capital markets business traditionally involves the purchase of securities. However, the purchase of protection in the form of Credit Default Swaps may be authorized and is governed, where relevant, by the procedures set in the body of rules.

Prudential approaches and methods

Those entities authorized to use the internal ratings-based approach to credit risk apply the method based on the ratings. In all other cases, the standardized approach is used. The method of the prescribed form is only used for the correlation portfolio of market activities.

Accounting principles and methods

Securitization securities are recognized in the same way as other debt securities, i.e. based on their accounting classification. The accounting principles and methods are detailed in note 1 to the financial statements.

Securitization by credit quality level

Securitization by type in billions of euros	2011 Banking portfolio		2011 Trading portfolio	2011 Correlation portfolio	2010 Banking portfolio	
Credit quality level	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standardized approach	Internal ratings-based approach
Investor						
Traditional securitization	0.5	4.4	2		0.9	6.0
Synthetic securitization				1.3		
Traditional re-securitization						
Synthetic re-securitization						
Sponsor		0.3				0.3
Total	**0.5**	**4.7**	**2**	**1.3**	**0.9**	**6.3**

Breakdown of outstandings by credit quality level

Securitization by type in billions of euros	2011 Banking portfolio		2011 Trading portfolio	2011 Correlation portfolio	2010 Banking portfolio	
Credit quality level	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standardized approach	Internal ratings-based approach
E1	0.3	1.5	1.8		0.9	2.9
E2		1.4	0.1			1.4
E3		0	0			0.1
E4		0.3	0			0.2
E5		0				0
E6	0.1	0.1			0	0.1
E7		0.1				0.1
E8	0	0.4			0	0.4
E9	0.1	0	0			0
E10		0	0.1			0.1
E11						0
Weighted positions at 1,250%	0	0.9	0			1.0
Total	**0.5**	**4.7**	**2**	**1.3**	**0.9**	**6.3**

◆ Capital requirement

	2011				2010	
Securitization by type in billions of euros	Banking portfolio		Trading portfolio	Correlation portfolio	Banking portfolio	
Credit quality level	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standardized approach	Internal ratings-based approach
Total	0	1	0.1	0.1	0	1.1

External agencies used are Standard & Poor's, Moody's and Fitch Ratings.

Equities

The vast majority of the investments deducted from capital are investments in associated companies that are either credit institutions or insurance companies.

The private equity business line is broken down into:

– the line covering private equity under the internal ratings-based approach for leveraged transactions and,

– the line covering equities under the standardized approach in other cases.

In billions of euros	Values exposed at December 31st, 2011	December 31st, 2010
Equities	3.2	3.4
Under the internal ratings-based approach		
Private equity (190%)	1.5	1.3
Exposures to listed equities (290%)	0.9	1.1
Other exposures to equities (370%)	0.4	0.5
Under the standardized approach		
Equities under standardized approach weighted at 150%	0.5	0.5
Participations deducted from capital	- 6.1	- 5.4
Total amount of unrealized gains and losses included in Tier 1 capital	0.0	0.0

Interest rate risk: banking portfolio

Those items relating to the measurement of capital requirements with regard to interest rate risk are dealt with in the section entitled "Risk management".

Market risks

Market risks are calculated on the trading portfolio. In the case of interest rate and equity risks, they result mainly from CM-CIC Marché's activities.

Counterparty risks concerning derivatives and repurchase agreements are detailed in the section entitled "Counterparty risk".

Those items relating to the measurement of capital requirements in respect of market risks are dealt with in the section entitled "Risk management".

In billions of euros Capital requirements for market risk	December 31st, 2011	December 31st, 2010
Specific interest rate (excluding securitization and correlation portfolios)	89	160
Specific interest rate (securitization and correlation portfolios)	122	0
Global interest rate risk	86	79
Equity position risk	83	63
Currency risk	0	44
Total of capital requirements	**381**	**347**

Operational risks

Those items relating to the measurement of capital requirements in respect of operational risks are dealt with in the section entitled "Risk management".

This report also meets the disclosure requirements concerning policy and procedures implemented on the one hand and reporting systems and risk measurement on the other hand.

◆ Description of the advanced method approach (AMA) (article 388-1)

In connection with the implementation of the operational risk advanced method approach (AMA) for measuring capital requirements in respect of operational risks, a dedicated, independent function is responsible for managing this risk. The operational risk measurement and control procedures are based on risk mappings prepared by business line and risk type, in close collaboration with the functional departments and day-to-day risk management procedures. These mappings serve as a standardized framework for analysis of the loss experience and result in modeling drawn from the work of experts reconciled with probability-based estimates based on different scenarios.

For modeling purposes, the Group relies mainly on the national database of internal losses. Information is included in this database in accordance with a national collection procedure which defines a uniform threshold of 1,000 euros above which each loss must be input and which governs reconciliations between the loss database and the accounting records.

In addition, the Group subscribes to an external database which is used on an on-going basis together with the methodologies for integrating this data into the operational risk measurement and analysis system.

The Group's general management and reporting system incorporates the requirements of CRBF regulation 97-02. Exposures to operational risk and losses are reported to the executive body on a regular basis and at least once a year.

The Group's procedures in the areas of governance, collection of loss information and its risk measurement and management systems enable it to take the appropriate corrective action. These procedures are the subject of regular checks.

Accreditation area in advanced method approach

With effect from January 1st, 2010, the Group has been authorized to use the advanced method approach to calculate regulatory capital requirements in respect of operational risks (with the exception of the deduction of expected losses from its capital requirements and the taking into account of insurance) in the case of all consolidated companies except foreign subsidiaries and Factocic (wich was renamed CM-CIC Factor on January 1st, 2012).

◆ Operational risk hedging and reduction policy (article 380d)

Operational risk mitigation techniques include:

– preventative actions identified during the mapping process and implemented directly by operational or permanent control staff;

– safeguard initiatives, which focus on the widespread implementation of disaster recovery plans that fall into two categories: business-specific disaster recovery plans which relate to a given banking function that is associated with one of the business lines identified in accordance with Basel II and the cross-functional disaster recovery plans which relate to activities that constitute operational support services (logistics, human resources and IT).

These plans can be split into three components:

– emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;

– business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures;

– back-on-track plan.

An on-going national procedure deals with the methodology used in drawing up the disaster recovery plans. It constitutes a reference document accessible to all staff involved in the plans. It is applied by all the regional groups.

◆ Use of insurance techniques (article 388-2)

The Group has developed insurance techniques covering operational risks. It did not use them in 2011 to reduce the consumption of regulatory capital.

Consolidated financial statements

(Standards IFRS)

Balance sheet
(in millions of euros)

Assets

	Notes	December 31st, 2011	December 31st, 2010
Cash and amounts due from central banks	4a	6,307	7,217
Financial assets at fair value through profit or loss	5a, 5c	38,063	41,229
Hedging derivative instruments	6a, 5c, 6c	935	135
Available-for-sale financial assets	7, 5c	72,204	76,529
Loans and receivables due from credit institutions	4a	38,603	40,113
Loans and receivables due from customers	8a	263,906	229,304
Remeasurement adjustment on interest-risk hedged investments	6b	738	594
Held-to-maturity financial assets	9	16,121	10,733
Current tax assets	13a	1,607	1,122
Deferred tax assets	13b	1,755	1,362
Accruals and other assets	14a	17,272	15,610
Investments in associates	15	1,671	1,481
Investment property	16	909	832
Property and equipment	17a	2,940	2,803
Intangible assets	17b	1,004	1,006
Goodwill	18	4,298	4,192
Total assets		**468,333**	**434,262**

Liabilities

	Notes	December 31st, 2011	December 31st, 2010
Due to central banks	4b	282	44
Financial liabilities at fair value through profit or loss	5b, 5c	31,009	34,551
Hedging derivative instruments	6a, 5c, 6c	3,923	3,073
Due to credit institutions	4b	36,422	27,850
Due to customers	8b	200,086	163,467
Debt securities	19	87,227	95,035
Remeasurement adjustment on interest-risk hedged investments	6b	- 2,813	- 1,963
Current tax liabilities	13a	561	527
Deferred tax liabilities	13b	842	939
Accruals and other liabilities	14b	10,030	12,098
Technical reserves of insurance companies	20	65,960	66,018
Provisions	21	1,747	1,529
Subordinated debt	22	6,563	7,155
Shareholders' equity		26,494	23,939
Shareholders' equity attributable to the Group		24,109	20,508
– Subscribed capital and issue premiums	*23a*	*5,596*	*5,139*
– Consolidated reserves	*23a*	*17,878*	*13,698*
– Unrealised or deferred gains and losses	*23c, 23d*	*- 988*	*- 291*
– Net income for the year		*1,623*	*1,961*
Non-controlling interests		2,385	3,431
Total liabilities and shareholders' equity		**468,333**	**434,262**

Consolidated income statement

(in millions of euros)

	Notes	December 31st, 2011	December 31st, 2010
Interest income	25	17,960	16,776
Interest expenses	25	- 11,660	- 10,586
Fee and commission income	26	3,653	3,662
Fee and commission expenses	26	- 951	- 903
Net gains (losses) on financial instruments at fair value through profit or loss	27	- 70	75
Net gains (losses) on available-for-sale financial assets	28	11	125
Income from other activities	29	10,994	12,648
Expenses on other activities	29	- 8,885	- 10,909
Net banking income		**11,053**	**10,889**
Operating expenses	30a, 30b	- 6,437	- 5,846
Depreciation, amortization and impairment for non-current assets	30c	- 505	- 510
Gross operating income		**4,111**	**4,533**
Net additions to/reversals from provisions for loan losses	31	- 1,456	- 1,305
Operating income		**2,656**	**3,228**
Share of net income (loss) of associates	15	6	26
Gains (losses) on other assets	32	66	16
Change in value of goodwill	33	- 9	- 45
Net income before tax		**2,718**	**3,225**
Corporate income tax	34	- 913	- 884
Net income		**1,805**	**2,341**
Non-controlling interests		182	380
Net income attributable to the Group		**1,623**	**1,961**

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

	Notes	December 31st, 2011	December 31st, 2010
Net income		**1,805**	**2,341**
Translation adjustments		- 5	0
Remeasurement of available-for-sale financial assets		- 766	- 270
Remeasurement of hedging derivative instruments		- 16	- 45
Remeasurement of non-current assets		0	0
Share of unrealized or deferred gains and losses of associates		- 18	4
Total gains and losses recognized directly in shareholders' equity	**23c, 23d**	**- 805**	**- 311**
Net income and gains and losses recognized directly in shareholders' equity		**1,000**	**2,030**
– attributable to the Group		*871*	*1,675*
– Non-controlling interests		*130*	*355*

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)

	2011	2010
Net income	1,805	2,341
Corporate income tax	913	884
Income before tax	**2,718**	**3,225**
Net depreciation/amortization expense on property and equipment and intangible assets	494	507
Impairment of goodwill and other non-current assets	34	2
Net additions to/reversals from provisions and impairment losses	608	179
Share of net income/loss of associates	- 34	- 27
Net loss/gain from investing activities	- 181	- 24
Income/expense from financing activities	0	0
Other movements	3,394	- 3,094
Total non-monetary items included in income before tax and other adjustments	**4,316**	**- 2,458**
Cash flows relating to interbank transactions	8,759	- 10,580
Cash flows relating to customer transactions	6,101	679
Cash flows relating to other transactions affecting financial assets and liabilities	- 21,264	8,577
Cash flows relating to other transactions affecting non-financial assets and liabilities	- 3,340	682
Corporate income tax paid	- 1,157	- 911
Net decrease/increase in assets and liabilities from operating activities	**- 10,901**	**- 1,553**
Net cash flows from (used in) operating activities	**- 3,866**	**- 787**
Cash flows relating to financial assets and investments in non-consolidated companies	- 4,789	- 468
Cash flows relating to investment property	- 105	- 126
Cash flows relating to property, equipment and intangible assets	- 337	- 397
Net cash flows from (used in) investing activities	**- 5,232**	**- 991**
Cash flows relating to transactions with shareholders	- 334	- 10
Other cash flows relating to financing activities	7,057	3,097
Net cash flows from (used in) financing activities	**6,723**	**3,087**
Impact of movements in exchange rates on cash and cash equivalents	**103**	**127**
Net increase (decrease) in cash and cash equivalents	**- 2,271**	**1,437**
Net cash flows from (used in) operating activities	- 3,866	- 787
Net cash flows from (used in) investing activities	- 5,232	- 991
Net cash flows from (used in) financing activities	6,723	3,087
Impact of movements in exchange rates on cash and cash equivalents	103	127
Cash and cash equivalents at beginning of year	**5,729**	**4,292**
Cash accounts and accounts with central banks and post office banks	7,173	7,920
Demand loans and deposits, credit institutions	- 1,444	- 3,628
Cash and cash equivalents at end of period	**3,458**	**5,729**
Cash accounts and accounts with central banks and post office banks	6,025	7,173
Demand loans and deposits, credit institutions	- 2,566	- 1,444
Change in cash and cash equivalents	**- 2,271**	**1,437**

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, 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 unrealized 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 changes	0	0	0	- 1
Shareholders' equity at December 31st, 2010	**5,139**	**0**	**13,693**	**5**
Shareholders' equity at January 1st, 2011	**5,139**	**0**	**13,693**	**5**
Capital increase	- 59			
Appropriation of 2010 earnings			1,961	
2011 dividend paid out of 2010 earnings			- 164	
Sub-total: movements arising from shareholder relations	**- 59**	**0**	**1,797**	**0**
Change of unrealized or deferred gains and losses recognized in shareholder's equity				
2011 net income				
Sub-total	**0**	**0**	**0**	**0**
Impact of changes in group structure	516		2,368	
Translation adjustments	0			16
Other changes	0	0	0	- 1
Shareholders' equity at December 31st, 2011	**5,596**	**0**	**17,858**	**20**

1. Reserves at December 31st, 2011 include a legal reserve of 179 million euros, regulatory reserves for a total of 2,744 million euros and other reserves amounting to 14,935 million euros.

Unrealized or deferred gains and losses, net of tax		Net income attributable to the Group	Equity attributable to the Group	Non-controlling interests	Total shareholders' equity
Relating to changes in fair value of available-for-sale financial assets	Relating to changes in fair value of hedging derivative instruments				
39	**- 43**	**1,194**	**18,733**	**3,146**	**21,879**
			222		222
		- 1,194	0		0
			- 172	- 60	- 232
0	**0**	**- 1,194**	**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	- 14
			42	12	54
0	0	0	- 1		- 1
- 202	**- 89**	**1,961**	**20,508**	**3,431**	**23,939**
- 202	**- 89**	**1,961**	**20,508**	**3,431**	**23,939**
			- 59		- 59
		- 1,961	0		0
			- 164	- 111	- 275
0	**0**	**- 1,961**	**- 224**	**- 111**	**- 334**
- 737	- 16		- 753	- 53	- 805
		1,623	1,623	182	1,805
- 737	**- 16**	**1,623**	**870**	**130**	**1,000**
56			2,940	- 1,069	1,871
			16	4	20
0	0	0	- 1	0	- 1
- 883	**- 105**	**1,623**	**24,109**	**2,385**	**26,494**

Notes to the consolidated financial statements

Accounting policies and methods

Note 1.1 Accounting reference system

Pursuant to regulation (EC) 1606/2002 on the application of international accounting standards and regulation (EC) 1126/2008 on the adoption of such standards, the consolidated financial statements for the year ended December 31st, 2011 have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2010. These standards include IAS 1 to 41, IFRS 1 to 8 and any SIC and IFRIC interpretations adopted at that date. Standards not adopted by the European Union have not been applied. The financial statements are presented in accordance with CNC recommendation 2009-R.04.

All IAS and IFRS were updated on November 3, 2008 by regulation 1126/2008, which replaced regulation 1725/2003. The entire framework is available on the European Commission's website at: http://ec.europa.eu/internal market/accounting/ias/index en.htm

The information on risk management required by IFRS 7 is shown in a specific section of the management report.

Standards IAS/IFRS	Name of the standard	Date of application specified by the IASB (fiscal years beginning on)	Date of application in the EU (fiscal years beginning on)
New accounting standards applicable as of January 1st, 2011			
IAS 32	Classification of Rights Issues	February 1st, 2010	February 1st, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1st, 2010	July 1st, 2010
IAS 24	Related Party Disclosures	January 1st, 2011	January 1st, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement	January 1st, 2011	January 1st, 2011
Improvements to existing standards			
Amendment IFRS 3	Business Combinations	July 1st, 2010	July 1st, 2010
Amendment IFRS 7	Financial Instruments - Disclosures	January 1st, 2011	January 1st, 2011
Amendment IAS 1	Presentation of Financial Statements	January 1st, 2011	January 1st, 2011
Amendment IFRIC 13	Customer Loyalty Programs	January 1st, 2011	January 1st, 2011
Amendment IAS 34	Interim Financial Reporting	January 1st, 2011	January 1st, 2011
Standards and interpretations not yet applied			
Amendment IFRS 7	Disclosures – Transfers of Financial Assets	July 1st, 2011	July 1st, 2011
Amendment IAS 12	Deferred tax: Recovery of Underlying Assets	January 1st, 2012	Not adopted
IFRS 9	Financial Instruments	January 1st, 2015	Not adopted
IFRS 10	Consolidated Financial Statements	January 1st, 2013	Not adopted
IFRS 11	Joint arrangements	January 1st, 2013	Not adopted
IFRS 12	Disclosures of interests in other entities	January 1st, 2013	Not adopted
IFRS 13	Fair value measurement	January 1st, 2013	Not adopted
IAS 28	Investments in associates and joint ventures	January 1st, 2013	Not adopted
IAS 19	Employee benefits	January 1st, 2013	Not adopted
Amendment IAS 1	Presentation of Financial Statements – Presentation of items of other comprehensive income	January 1st, 2013	Not adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1st, 2013	Not adopted

Note 1.2 Scope and basis of consolidation

◆ The consolidating entity

The Crédit Mutuel CM10 Group [1] (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), the Fédération du Crédit Mutuel Midi-Atlantique (FCMMA), the Fédération du Crédit Mutuel Loire-Atlantique et Centre-Ouest (FCMLACO), the Fédération du Crédit Mutuel du Centre (FCMC), the Fédération du Crédit Mutuel de Normandie (FCMN), the Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV), the Fédération du Crédit Mutuel Méditerranéen (FCMM). 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), the Caisse Régionale du Crédit Mutuel Loire-Atlantique et Centre-Ouest (CRCMLACO), the Caisse Régionale du Crédit Mutuel du Centre (CRCMC), the Caisse Régionale du Crédit Mutuel de Normandie (CRCMN), the Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV), and the Caisse Régionale du Crédit Mutuel Méditerranéen (CRCMM). 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, FCMMA, FCMLACO, FCMC, FCMN, FCMDV and FCMM: 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.

◆ Scope of consolidation

The general principles for the inclusion of an entity in the consolidation scope are defined in IAS 27, IAS 28 and IAS 31.

The consolidation scope comprises:

– entities under exclusive control: exclusive control is considered as being exercised in cases where the Group holds a majority of the shares, directly or indirectly, and either the majority of the voting rights or the power to appoint the majority of members of the board of directors, executive board or supervisory board, or when the Group exercises a dominant influence. Entities that are controlled exclusively by the Group are fully consolidated;

– entities under joint control: joint control is exercised by virtue of a contractual agreement, and is the shared control of an economic activity, irrespective of the structure or form under which that activity is conducted. Jointly controlled companies are consolidated using the proportional method;

– entities over which the Group exercises significant influence: these are the entities that are not controlled by the consolidating entity, but in which the Group has the power to participate in determining their financial and operating policies. The share capital of the entities in which the Group exercises a significant influence is consolidated using the equity method.

Entities controlled by the Group or over which it exercises significant influence and which are not material in relation to the consolidated financial statements are not consolidated. This situation is presumed if the total statement of financial position or the income statement of an entity represents less than 1% of the related consolidated or sub-consolidated (if applicable) totals. This is a purely relative criterion: an entity may be included in the consolidated group regardless of the 1% threshold if it is regarded as a strategic investment given its activity or its development.

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

Special purpose entities (SPE) are consolidated if they meet the conditions for consolidation set out in SIC 12 (where the activities are conducted exclusively on behalf of the Group; the Group has the decision-making or management powers to obtain the majority of the benefits of the ongoing operations of the SPE; the Group has the capacity to benefit from the SPE; the Group retains the majority of the risks related to the SPE).

Shareholdings owned by private equity companies over which joint control or significant influence is exercised are excluded from the scope of consolidation and their value is accounted for under the fair value option.

◆ Changes in the scope of consolidation

Changes in the scope of consolidation as of December 31st, 2011 were as follows:

Additions to the scope of consolidation

– Banking network and network subsidiaries: Caisses de Crédit Mutuel Loire-Atlantique et Centre-Ouest, Caisses de Crédit Mutuel du Centre, Caisses de Crédit Mutuel Dauphiné-Vivarais, Caisses de Crédit Mutuel Méditerranéen, Caisses de Crédit Mutuel de Normandie, Caisse Régionale du Crédit Mutuel Loire-Atlantique Centre-Ouest, Caisse Régionale du Crédit Mutuel du Centre, Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais, Caisse Régionale du Crédit Mutuel Méditerranéen, Caisse Régionale du Crédit Mutuel de Normandie, Fédération du Crédit Mutuel Loire-Atlantique et Centre-Ouest, Fédération du Crédit Mutuel du Centre, Fédération du Crédit Mutuel Dauphiné-Vivarais, Fédération du Crédit Mutuel Méditerranéen, Fédération du Crédit Mutuel de Normandie, Banque Casino.

– Insurance companies: Voy Mediacion, Atlancourtage.

– Other companies: Actimut, CM-CIC Immobilier, Euro Protection Surveillance, France Est, L'Est Républicain, Journal de la Haute-Marne, Affiches d'Alsace-Lorraine, Alsatic, Alsace Média Participations, Alsacienne de Portage des DNA, A. Télé, Les Dernières Nouvelles d'Alsace, Les Dernières Nouvelles de Colmar, France Régie, Publicité Moderne, Société Alsacienne de Presse de l'Audiovisuel, SDV Plurimédia, Société de Presse Investissement, Top Est 88, SEHLJ, Est Bourgogne Média.

Mergers/acquisitions

CIC Investissements with CM-CIC Investissement, Financière Voltaire with CM-CIC Capital Finance, GPK Finance with Transatlantique Gestion, Société Foncière et Financière with CM-CIC Capital Finance, IPO with CM-CIC Investissement and IPO Ingénierie with CM-CIC Capital Finance, le Journal de Saône-et-Loire with Est Bourgogne Media and le Bien Public with Est Bourgogne Media.

Removals from the scope of consolidation

Alsace Publicité, Cofidis Romania, ICM Ré, Vizille de Participations.

◆ Consolidation methods

The consolidation methods used are as follows:

Full consolidation

This method involves substituting for the value of the shares each of the assets and liabilities of each subsidiary and recognizing the interests of non-controlling shareholders in shareholders' equity and in the income statement. This method is applicable to all entities under exclusive control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party.

Proportionate consolidation

This method involves the consolidation by the consolidating entity of the representative share of its interests in the accounts of the consolidated entity, after restatements if necessary, so that no allowance is made for non-controlling interests. This method is applicable to all entities under joint control, including entities that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party.

Consolidation using the equity method

This involves substituting for the value of the shares the Group's interest in the equity and in the earnings of the relevant entities. This method applies to entities over which the Group exercises significant influence.

◆ Closing date

All Group companies falling within the scope of consolidation have a December 31st closing date.

◆ Elimination of intercompany transactions

Intercompany transactions and the profits arising from transfers between Group entities that have a significant effect on the consolidated financial statements are eliminated. Receivables, payables, reciprocal commitments, internal expenses and income are eliminated for entities subject to full and proportionate consolidation.

◆ Translation of financial statements expressed in foreign currencies

The statements of financial position of foreign entities are translated into euro at the official year-end exchange rate. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Translation adjustments". Their income statements are translated into euros at the average exchange rate for the year (the Group considers that any differences between the average rate for the year and the rates applicable on each transaction date are immaterial), and the resulting differences are recorded under "Translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening statement of financial position as of January 1st, 2004.

◆ Goodwill

Measurement differences

On taking control of a new entity, its assets, liabilities and any operating contingent liabilities are measured at fair value. Any difference between carrying amounts and fair value is recognized as goodwill.

Acquisition goodwill

In accordance with IFRS 3R, when the Bank acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at fair value net of selling costs. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination.

In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Positive net effect of business combinations".

If the Group's stake in an entity it already controls increases/decreases, the difference between the acquisition cost/selling price of the shares and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity. Goodwill is presented on a separate line of the statement of financial position when it relates to fully-consolidated companies and under the heading "Investments in associates" when it relates to equity-accounted companies. Goodwill does not include direct expenses associated with acquisitions, which are required to be expensed under IFRS 3R. Goodwill is tested for impairment regularly and at least once a year. The tests are designed to identify whether goodwill has suffered a prolonged decline in value. If the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These impairment losses on goodwill — which are recognized through the income statement — cannot be reversed. In practice, cash-generating units are defined on the basis of the Group's business lines.

◆ Non-controlling interests

These correspond to interests that do not provide control, as defined in IAS 27, and incorporate those instruments representing current ownership interests that entitle the owner to a pro-rata share of the net assets of the entity in the event of liquidation, and other equity instruments issued by the subsidiary and not owned by the Group.

Note 1.3 Accounting policies and methods

IFRS offer a choice of accounting methods for certain items. The main options adopted by the Group relate to the following:

– the use of fair value or of remeasurement to assess the presumed cost of non-current assets at the time of translation: this option may apply to any tangible asset or intangible asset that satisfies the remeasurement criteria, or to any investment property valued on a cost basis. The Group has chosen not to adopt this option;

– the Group has not opted for the immediate recognition in shareholders' equity of actuarial gains and losses related to employee benefits;

– the Group has opted to reset translation adjustments to zero in the opening statement of financial position;

– the valuation at market price of certain liabilities issued by the company and not included in the trading book;

– the Group has opted for the principle of eligibility for fair value hedge accounting for macro-hedges established within the framework of asset-liability management concerning fixed income positions (including in particular customer sight deposits) as authorized by regulation n° 2086/2004 of the European Commission;

– the Group used the October 2008 amendment to IAS 39 to reclassify certain financial instruments recognized at fair value as loans and receivables or as assets held-to-maturity. Reclassifications to available-for-sale assets are also possible.

Note 1.3.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended at the time of their acquisition or grant to be sold. They include loans granted directly by the Group or its share in syndicated loans, purchased loans and debt securities that are not listed on an active market. Loans and receivables are measured at fair value, which is usually the net amount disbursed at inception.

The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks. They are subsequently carried at amortized cost using the effective interest rate method (other than for loans and receivables carried at fair value by option).

Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.

The fair value of loans and receivables is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Note 1.3.2 Impairment of loans and receivables, financing commitments and financial guarantees given, and available-for-sale or held-to-maturity instruments

◆ Individual impairment of loans

Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at the end of each reporting period. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Loans on which one or more installments are more than 3 months past due (6 months in the case of real estate loans and 9 months for local authority loans) are deemed to represent objective evidence of impairment. Likewise, an impairment loss is recognized when it is probable that the borrower will not be able to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

Impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses. Reversals of impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses for the portion relating to the change in risk and in net interest for the portion relating to the passage of time. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under "provisions" in liabilities for financing and guarantee commitments.

Loan losses are recorded in losses and the corresponding impairments and provisions are written back.

◆ Collective impairment of loans

Customer loans that are not individually impaired are risk-assessed on the basis of loans with similar characteristics. This assessment draws upon internal and external rating systems, the estimated probability of default, the estimated loss rate, and the amount of loans outstanding. Portfolio-based impairment is deducted from the carrying amount of the assets concerned, while any movements in impairment are included in "Net additions to/reversals from provisions for loan losses" in the income statement.

Note 1.3.3 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

◆ Finance leases-lessor accounting

In accordance with IAS 17, finance lease transactions with non-Group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in:

– the recognition of a financial receivable due from the customer, reduced in line with the lease payments received;

– the breakdown of lease payments between principal repayments and interest, known as financial amortization;

– the recognition of an unrealized reserve, equal to the difference between:
• the net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year;
• the net carrying amount of the leased non-current assets;
• the deferred tax provision.

◆ Finance leases-lessee accounting

In accordance with IAS 17, assets acquired under finance leases are included in property and equipment and an amount due to credit institutions is recorded as a liability. Lease payments are broken down between principal repayments and interest.

Note 1.3.4 Acquired securities

The securities held are classified into the three categories defined in IAS 39, namely financial instruments at fair value through profit or loss, financial assets held to maturity, and financial assets available for sale.

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

Classification

Financial instruments at fair value through profit or loss comprise:

1. financial instruments held for trading purposes, consisting mainly of instruments that:
a. were acquired or incurred principally for the purpose of selling or repurchasing them in the near term; or
b. are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. represent derivatives not classified as hedges;

2. financial instruments designated at inception as at fair value through profit or loss in accordance with the option provided by IAS 39, for which application guidance was given in the amendment published in June 2005. This option is designed to help entities produce more relevant information, by enabling:
a. certain hybrid instruments to be measured at fair value without separating out embedded derivatives whose separate measurement would not have been sufficiently reliable;
b. a significant reduction in accounting mismatches regarding certain assets and liabilities;
c. a group of financial assets and/or liabilities to be managed and monitored for performance in accordance with a documented risk management or investment strategy on a fair value basis.

This Group used this option mainly in connection with insurance business units of account contracts in line with the treatment for liabilities, as well as the securities held in the private equity portfolio and certain debt securities with embedded derivatives.

Basis for recognition and measurement of related income and expenses

Financial instruments included in this category are recognized in the statement of financial position at fair value up to the date of their disposal. Changes in fair value and in interest received or accrued on fixed-income securities are taken to the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income. Fair value also incorporates an assessment of counterparty risk on these securities.

Fair value or market value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of an instrument upon initial recognition is generally its transaction price. If the instrument is traded on an active market, the best estimate of fair value is the quoted price. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price, and for an asset to be acquired or liability held, the ask price.

When the bank has assets and liabilities with offsetting market risks, the net position is valued at the bid price for a net asset held or a net liability to be issued and at the ask price for a net asset to be acquired or liability held.

A market is deemed to be active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions in very similar instruments carried out on an arm's length basis.

If the market for a financial instrument is not active, fair value is established using a valuation technique.

Derivatives are remeasured based on available observable market data such as yield curves to which the bid/ask price is then applied.

A multi-criteria approach is adopted to determine the value of securities held in the private equity portfolio, backed by historical experience of valuing unlisted companies.

Criteria for classification and rules of transfer

Market conditions may cause the Crédit Mutuel-CIC Group to review its investment and management strategy of these securities. Thus, when it appears inappropriate to sell securities initially acquired for the purpose of selling them in the near term, these securities may be reclassified under the specific provisions provided for by the October 2008 amendment to IAS 39. Transfers to "Available for sale financial assets" or "Held to maturity financial assets" categories are authorized in exceptional circumstances. Transfers to the "Loans and receivables" category are contingent upon the Group's intention and ability to retain ownership of such securities in the foreseeable future or until maturity. The purpose of these portfolio transfers is to better reflect the new intention to manage these instruments, and to give a more faithful picture of their impact on the Group profit or loss.

◆ Available for sale financial assets

Classification

Available-for-sale financial assets are financial assets that have not been classified as "Loans and receivables", held to "Maturity financial assets" or "Financial assets at fair value through profit or loss".

Basis for recognition and measurement of related income and expenses

Available-for-sale financial assets are carried at fair value until disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized or deferred gains or losses recognized in equity are only transferred to the income statement in the event of disposal or a lasting impairment in value. On disposal or recognition of a lasting impairment in value, the unrealized gains and losses recorded in equity are transferred to the income statement under "Net gains/(losses) on availableforsale financial assets". Purchases and sales are recognized at the settlement date.

Income received or accrued from fixed-income available-for-sale securities is recognized in the income statement under "Interest income". Dividend income relating to variable-income available-for-sale securities is taken to income under "Net gains/(losses) on available-for-sale financial assets".

Impairment of available-for-sale debt instruments

Impairment losses are recognized in "Net additions to/reversals from provisions for loan losses" and are reversible. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Impairment of available-for-sale equity instruments

An equity instrument is impaired when there is objective evidence of impairment, either in the event of a) a significant or lasting decline in the fair value to below cost; or b) information regarding significant changes that have a negative impact and have arisen in the technological environment prevailing in the economic or legal market in which the issuer operates and which indicates that the cost of the investment may not be recovered.

In the case of an equity instrument, the loss of at least 50% of its value compared with its acquisition cost or a loss of value lasting more than 36 consecutive months implies an impairment. Such instruments are analyzed on a line-by-line basis. Judgment must also be exercised for securities that do not meet the above criteria but for which it is considered that recovery of the amount invested in the near future cannot reasonably be expected.

Impairment is recognized under "Net gains/(losses) on available-for-sale financial assets" and is irreversible so long as the instrument is carried in the statement of financial position. Any subsequent impairment is also recognized in the income statement. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Criteria for classification and rules of transfer

Fixed-income securities may be reclassified:

– into "Held-to-maturity financial assets" in the event of a change in the management intention, and provided that they qualify for this category;

– into "Loans and receivables" in the event of a change in the management intention, the ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category.

In the event of transfer, the fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost. No gain or loss recognized before the date of transfer can be written back.

In the event of a transfer of instruments with a fixed maturity from "Available-for-sale financial assets" to the "Held-to-maturity financial assets" or "Loans and receivables" categories, the unrealized gains and losses, previously deferred in equity are amortized over the remaining life of the asset. In the case of a transfer of instruments without a fixed maturity date to the "Loans and receivables" category, the previously deferred unrealized gains and losses remain in equity until the disposal of the securities.

◆ Held-to-maturity financial assets

Classification

Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity, other than those that the Group has designated at fair value through profit or loss or as available for sale. The positive intention and ability to hold to maturity are assessed at the end of each reporting period.

Basis for recognition and measurement of related income and expenses

Held-to-maturity investments are recognized at fair value upon acquisition. Transaction costs are deferred and included in the calculation of the effective interest rate, unless they are not material in which case they are recognized immediately through profit or loss. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, which builds in the actuarial amortization of premiums and discounts corresponding to the difference between the purchase price and redemption value of the asset. Income earned from this category of investments is included in "Interest income" in the income statement.

Impairment

Should a credit risk arise, impairment on held-to-maturity financial assets is calculated in the same way as for loans and receivables.

Criteria for classification and rules of transfer

This category includes fixed or determinable income securities, with a fixed maturity date, and which the Crédit Mutuel-CIC Group has the intention and ability to hold until maturity. Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39.

Furthermore, disposals or transfers of securities in this portfolio are very restricted, due to the provisions laid down in IAS 39; breaching this rule would entail the declassification of the whole portfolio at the Group level, and forbid access to this category for two years.

◆ Fair value hierarchy of financial instruments

There are three levels of fair value of financial instruments, as defined by IFRS 7:
– level 1: prices quoted on active markets for identical assets or liabilities;
– level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices);
– level 3: data relating to the asset or liability that are not based on observable market data (non-observable data).

◆ Derivatives and hedge accounting

Financial instruments at fair value through profit or loss – derivatives

A derivative is a financial instrument:
– whose fair value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, credit rating or credit index, or other variable, sometimes called the "underlying";
– which requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts exhibiting a similar response to changes in market factors;
– which is settled at a future date.

Derivatives are classified as financial instruments held for trading except when they are part of a designated hedging relationship.

Derivatives are recorded in the statement of financial position under financial instruments at fair value through profit or loss. Changes in fair value and interest accrued or payable are recognized in "Net gains/(losses) on financial instruments at fair value through profit or loss".

Derivatives qualifying for hedge accounting in accordance with IAS 39 are classified as "Fair value hedges" or "Cash flow hedges", as appropriate. All other derivatives are classified as trading "Assets or liabilities", even if they were contracted for the purpose of hedging one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

Embedded derivatives are separated from the host contract and accounted for as a derivative at fair value through profit or loss provided that they meet the following three conditions:
– the hybrid instrument is not measured at fair value through profit or loss;
– the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
– the separate measurement of the embedded derivative is sufficiently reliable to provide useful information.

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

Structured products are products created by bundling basic instruments, generally options, to exactly meet client needs. There are various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, look back options, options on several assets and index swaps.

There are three main methods of valuing these products: methods consisting of solving a partial differential equation, discrete time tree methods and Monte Carlo methods. The first and third methods are used. The analytical methods used are those applied by the market to model the underlyings.

The valuation parameters applied correspond to observed values or values determined using a standard observed values model at the end of the reporting period. If the instruments are not traded on an organized market, the valuation parameters are determined by reference to the values quoted by the most active dealers in the corresponding products or by extrapolating quoted values. All these parameters are based on historical data. The parameters applied to measure the value of unquoted forward financial instruments are determined using a system that provides a snapshot of market prices. Every day, at a fixed time, the bid and ask prices quoted by several market players, as displayed on the market screens, are recorded in the system. A single price is fixed for each relevant market parameter.

Certain complex financial instruments, mainly customized equity barrier options with single or multiple underlyings presenting low levels of liquidity and long maturities, are measured using internal models and valuation inputs such as long volatilities, correlations, and expected dividend flows where no observable data can be obtained from active markets. Upon initial recognition, these complex financial instruments are recorded in the statement of financial position at their transaction price, which is deemed to be the best indication of fair value even though the result of the model-based valuation may differ. The difference between the price at which a complex instrument is traded and the value obtained from internal models, which generally represents a gain, is known as "Day one profit". IFRS prohibit the recognition of a margin on products valued using models and parameters that are not observable on active markets. The margin is therefore deferred. The margin realized on options with a single underlying and no barrier is recognized over the life of the instrument. The margin on products with barrier options is recognized upon maturity of the structured product, due to the specific risks associated with the management of these barriers.

Hedge accounting

IAS 39 permits three types of hedging relationship. The hedging relationship is selected on the basis of the type of risk being hedged. A fair value hedge is a hedge of the exposure to changes in fair value of a financial asset or liability and is mainly used to hedge the interest rate risk on fixed-rate assets and liabilities and on demand deposits, as permitted by the European Union. A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a financial asset or liability, firm commitment or highly probable forecast transaction. Cash flow hedges are used in particular for interest rate risk on variable-rate assets and liabilities, including rollovers, and for foreign exchange risk on highly probable foreign currency revenues. Hedges of a net investment in a foreign operation are a special type of cash flow hedge.

At the inception of the hedge, the Group documents the hedging relationship, i.e. that between the item being hedged and the hedging instrument. This documentation describes the management objectives of the hedging relationship, as well as the type of risk covered, the hedged item and hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Hedge effectiveness is assessed at the inception of the hedge and subsequently at least at the end of each reporting period.

The ineffective portion of the hedge is recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

Fair value hedging instruments

The portion corresponding to the rediscounting of a derivative financial instrument is recorded in the income statement under the line item "Interest income, interest expense and equivalent, hedging derivative instruments", symmetrically to the interest income or expenses relating to the hedged item. In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss, under the line item "Net gains/(losses) on financial instruments at fair value through profit or loss" symmetrically to the remeasurement of the hedged item to reflect the hedged risk through profit or loss. This rule also applies if the hedged item is accounted for at amortized cost or if it is a financial asset classified as available for sale. If the hedging relationship is perfectly effective, the fair value change in the hedging instrument offsets the change in fair value of the hedged item.

The hedge must be considered as "highly effective" to qualify for hedge accounting. The change in fair value or cash flows attributable to the hedging instrument must practically offset the change in the hedged item's fair value or cash flows. The ratio between those two changes must lie within the range of 80% and 125%.

If the hedging relationship is interrupted, or the effectiveness criteria are not fulfilled, the hedge accounting ceases to be applied on a prospective basis. Hedge derivatives are reclassified as trading instruments and are recognized as per the principles applied to that category. The value of the hedged element in the statement of financial position is subsequently not adjusted to reflect changes in fair value, and the cumulative adjustments related to the hedge are amortized over the remaining life of the hedged item. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is immediately recognized in income.

Fair value hedging instruments – interest rate risk

The amendments introduced by the European Union to IAS 39 in October 2004 make it possible to include customer demand deposits in fixed rate liability portfolios. For each portfolio of assets or liabilities, the bank checks that there is no excess hedging, and does so by pillar business line and at each reporting date.

The liability portfolio is scheduled over time, under the estimates for future cash flows defined by the ALM unit.

Changes in fair value of the interest rate risk on the hedged instrument portfolios are recorded in a special line item of the statement of financial position called "Remeasurement adjustment on investments hedged against interest rate risk", the counterparty being an income statement line item.

Cash flow hedging instruments

In the case of a cash flow hedge relationship, the gains or losses on effective hedging instruments are recognized in shareholders' equity under the line item "Unrealized or deferred gains and losses relating to cash flow hedging derivatives", while the ineffective portion is recognized in the income statement under the "Net gains and losses on financial instruments at fair value through profit or loss" heading.

The amounts recognized in shareholders' equity are carried to the income statement under the "Interest income, interest expense and equivalent" heading, at the same rate as the cash flows of the hedged item affect the income statement. The hedged items remain recognized in accordance with the specific provisions for their accounting category.

If the hedging relationship is interrupted, or if the effectiveness criteria are not fulfilled, the hedge accounting ceases to be applied. Cumulative amounts recognized in shareholders' equity as a result of the remeasurement of a hedging derivative, remain recognized in equity until the hedged transaction affects earnings or when it becomes apparent that the transaction will not take place. These amounts are subsequently carried to the profit and loss account.

Reclassifications of debt instruments

Fixed income securities or debt instruments valued at fair value through profit or loss can be reclassified into the following categories:

a. "Financial assets held to maturity", only in rare cases, if management's intention has changed, and provided that they fulfill the eligibility conditions of this category;

b. "Loans and receivables" in the event of a change in management's intention or ability to hold the securities in the foreseeable future or until maturity, and provided that they qualify for this category;

c. "Available for sale" only in rare cases.

Fixed income securities or debt instruments available for sale may be reclassified into the following categories:

a. "Financial assets held to maturity", in the event of a change in management's intention or ability, and provided that they fulfill the eligibility conditions of this category;

b. "Loans and receivables", in case the Group has the intention and ability to hold the financial assets in the foreseeable future or until maturity, and provided that they qualify for this category.

In the event of a reclassification, the fair value of the financial asset at the date of reclassification becomes its new cost or amortized cost. No gain or loss recognized before the date of transfer can be derecognized.

In the event of a transfer of debt instruments with a fixed maturity from the category "Financial assets available for sale" to the "Financial assets held to maturity" or "Loans and receivables" categories, the unrealized gains and losses, previously deferred in equity are amortized over the remaining life of the asset. In case of a reclassification of debt instruments with no fixed maturity to the "Loans and receivables" category, the previously deferred unrealized gains and losses remain in equity until the disposal of the securities.

Note 1.3.5 Debt represented by a security

Debt evidenced by certificates (certificates of deposit, interbank market securities, bonds, etc.), not classified under the fair value option, are accounted for at their issue value minus, usually, the transaction costs.

These debt securities are subsequently measured at amortized cost using the effective interest method.

Some "structured" debt instruments may include embedded derivatives. These embedded derivatives are separated from the host contracts if the separation criteria are satisfied and they can be valued reliably.

The host contract is recognized at amortized cost at a later stage. Its fair value is determined based on quoted market prices or valuation models.

Note 1.3.6 Subordinated debt

Term or perpetual subordinated debt is separated from debt securities, because their redemption, should the debtor enter liquidation, is only possible after all the other creditors have been paid. Such debt is valued at amortized cost.

Note 1.3.7 Distinction between Debt and Shareholders' equity

According to the IFRIC 2 interpretation, shares owned by member-shareholders are equity if the entity has an unconditional right to refuse the redemption, or if there are legal or statutory provisions prohibiting or seriously restricting the redemption. In view of the existing legal or statutory provisions, the shares issued by the structures making up the consolidating entity of the Crédit Mutuel-CIC Group, are recognized in equity.

The other financial instruments issued by the Group qualify as debt instruments for accounting purposes, where there is a contractual obligation for the Group to provide cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

Note 1.3.8 Provisions

Additions to and reversals from provisions are classified according to the nature of the corresponding income and expense items. The provision is shown within liabilities on the statement of financial position.

A provision is recognized when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted, where appropriate, to determine the amount of the provision.

The provisions made by the Group cover in particular:

– legal risk;
– social commitments;
– execution risk on off-statement of the financial position commitments;
– litigation risk and guarantee commitments given;
– tax risks;
– risks related to home savings accounts and plans.

Note 1.3.9 Amounts due to customers and credit institutions

Debt includes fixed-or determinable income financial liabilities. They are recognized at their market value when they are posted to the statement of financial position, and are subsequently valued at reporting date at amortized cost using the effective interest method, except for those that have been recognized under the fair value option.

◆ Regulated savings contracts

The "comptes épargne-logement" (CEL, home savings accounts) and "plans épargne-logement" (PEL, home savings plans) are products regulated by French law, which are available to customers (natural persons). These products combine a stage of interest-bearing savings, which give right to a preferential housing loan in a second stage. They generate two types of commitments for the distributing institution:

– a commitment to pay future interest on the amounts deposited as savings at a fixed rate for the PEL and variable-rate equivalent for the CEL (periodically revised on the basis of an indexation formula);
– a commitment to grant a loan to the customers who request it at predetermined conditions (both for the PEL and the CEL).

These commitments have been estimated on the basis of customer behavior statistics and market inputs. A provision has been made on the liabilities side of the statement of financial position to cover future charges related to the potentially unfavorable conditions of such products, compared to the interest rates offered to individual customers for similar products, but not regulated in terms of their interest rate. This approach results in the generation of homogeneous regulated terms for the PEL and the CEL. The impact on the income statement is recognized as "Interest paid to customers".

Note 1.3.10 Cash and cash equivalents

Cash and cash equivalents consolidate the cash accounts, deposits and demand loans and borrowings relating to central banks and credit institutions.

In the statement of cash flows, UCITS are classified as an "operational activity" and therefore do not need to be reclassified.

Note 1.3.11 Employee benefits

Employee benefits are recognized in accordance with IAS 19. Social obligations are subject, where relevant, to a provision reported under the line item "Provisions for risks and charges". A change in this item is recognized in the income statement under the "Employee expense" heading.

◆ Defined post-employment benefits

These benefits include retirement plans, early retirement pensions, and additional retirement plans, under which the Group has a formal or implicit liability to provide benefits promised to employees.

These obligations are calculated using the projected unit credit method, which involves awarding benefits to periods of service under the contractual formula for calculating the retirement plan benefits, subsequently discounted on the basis of demographic and financial assumptions, including:

– the discount rate, determined by reference to the long-term interest rates of high-quality corporate bonds, at year-end;
– the rate of wage increase, assessed according to the age group, the management/non-management category, and regional features;
– the rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;
– rates of employee turnover determined by age group on the basis of an average ratio over three years of the num-

ber of resignations and dismissals over the total number of employees working in the company under non-fixed term contracts at the financial year-end;

– the age of retirement: an estimate is made by individual on the basis of real or estimated date of entry in the working life and assumptions related to the retirement reform legislation (Fillon law), with a maximum ceiling at age 67;

– the mortality according to INSEE (the French National Institute for Statistics and Economic Studies) TF 00-02 table.

The differences arising from changes in these assumptions and from the differences between previous assumptions and actual results represent actuarial variances. If the retirement plan has assets, these are valued at their fair value, and affect the income statement for the expected yield. The difference between the real and expected yield is also an actuarial variance.

The Group has opted for the immediate recognition of actuarial gains and losses in the income statement for the year, in the form of provisions not spread over the remaining working life of the employees. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

Supplementary benefits provided by pension funds

The AFB stepping stone agreement of September 13th, 1993 modified the pension plans of credit institutions. Since January 1st, 1994, all banks are members of the French pension plans of Arrco and Agirc. The four pension funds of which the Group's banks are members have been merged. They provide for the payment of the various charges required by stepping stone agreement, drawing on their reserves completed if necessary by additional annual contributions paid in by the member banks concerned and whose average rate over the next ten years is capped at 4% of the payroll expense. After the merger, the pension fund was transformed into an IGRS (public institution to manage additional retirement benefits) in 2009. It has no asset shortfall.

Other post-employment defined benefits

A provision is recognized for long service awards and supplementary retirement benefits, including special plans. They are valued on the basis of entitlements acquired by all the staff in active service, notably on the basis of staff turnover in the consolidated entities and the estimated future salaries and wages to be paid to the beneficiaries at the time of their retirement, increased where appropriate by social security contributions. The long service awards of the Group's banks in France are covered up to at least 60% by an insurance contract taken out with ACM Vie, an insurance company of the Crédit Mutuel-CIC Group, which is fully consolidated.

◆ Defined contribution post-employment benefits

The Group's entities contribute to a number of pension plans managed by organizations that are independent from the Group, for which the entities have no additional formal or implicit payment obligation, in particular if the assets in the pension plans are not sufficient to meet liabilities.

As these plans do not represent obligations of the Group, they are not subject to a provision. The related expenses are recognized in the financial year in which the contributions must be paid.

◆ Long-term benefits

These are benefits to be paid, other than post-employment benefits and termination benefits, which fall due wholly more than 12 months after the end of the period during which the employee rendered the related service, for example work medals, time savings accounts, etc.

The Group's obligation in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in the income statement for the accounting period, as the "corridor" method is not allowed.

Obligations in respect of work medals are sometimes covered by insurance policies. A provision is established only the uncovered part of these obligations.

◆ Employee supplementary retirement plans

Employees of the Crédit Mutuel CM10 and CIC Groups benefit from, as a complement to the mandatory retirement plans, a supplementary retirement plan offered by ACM Life SA.

Employees of the CM10 Group benefit from two supplementary retirement plans, one with defined contributions and the other with defined benefits. The rights under the defined contributions plan are vested even if the employee leaves the company, unlike the rights under the defined benefits plan which, in accordance with the new regulation, only vest definitively when the employee leaves the company to retire. The total amount of the obligation was 719 million euros as of December 31st, 2011, covered by technical reserves of 692 million euros and 39 million euros worth of mathematical reserves for defined benefits plans recognized on the liabilities side of the ACM VIE SA statement of financial position. These figures represent all the beneficiaries.

In addition to the mandatory retirement plans, CIC Group's employees benefit from a supplementary defined contribution plan from ACM Vie SA. The obligation relating to this plan amounted to 287 million euros as of December 31st, 2011, covered by 302 million euros worth of special technical provisions recognized on the liabilities side of the ACM Vie statement of financial position, including all beneficiaries.

◆ Termination benefits

These benefits are granted by the Group on termination of the contract before the normal retirement date, or following the employee's decision to accept voluntary termination in exchange for an indemnity. The related provisions are updated if their payment is to occur more than 12 months after the reporting date.

◆ Short-term benefits

These are benefits payable within the twelve months following the end of the financial year, other than termination benefits, such as salaries and wages, social security contributions and a number of bonuses.

An expense is recognized relating to these short-term benefits for the financial year during which the service rendered to the Company has given rise to such entitlement.

Note 1.3.12 Insurance

The accounting principles and valuation rules of the assets and liabilities generated by the issuance of insurance policies have been drawn up in accordance with IFRS 4. This also applies to reinsurance policies, whether issued or subscribed, and to financial contracts including a discretionary profit-sharing clause. The other assets held and liabilities issued by insurance companies follow the rules common to all of the Group's assets and liabilities.

◆ Assets

Financial assets, investment properties and fixed assets follow the accounting methods described elsewhere. However, financial assets representing technical provisions related to unit-linked contracts are shown under the line item "Financial assets at fair value through profit or loss".

◆ Liabilities

Insurance liabilities, which represent liabilities to policyholders and beneficiaries, are shown under the line item "Technical reserves of insurance policies". They are measured, accounted for and consolidated as under the French standards.

Technical reserves of life insurance policies consist mainly of mathematical reserves, which generally correspond to the surrender value of the policies. The risks covered mainly include death, disability and incapacity for work (for borrower's insurance).

Technical reserves of unit-linked contracts are measured, on the reporting date, based on the realizable value of the assets underlying these contracts. Reserves of non-life insurance policies correspond to unearned premiums (portion of premiums issued related to subsequent years) and claims payable.

Insurance policies that have a discretionary profit-sharing clause are subject to "shadow accounting". The resulting provision for deferred profit-sharing represents the share of capital gains and losses accruing to policyholders. These provisions for deferred profit-sharing are recognized on the assets or liabilities side, by legal entity and without compensation between entities in the scope of consolidation. On the assets side, these are recorded under a separate heading.

On the reporting date, the liabilities carried for these policies (net of other related asset or liability items such as deferred acquisition expenses and the value of the portfolios acquired) are tested to check that they are sufficient to cover the future cash flows estimated at this date. Any shortfall in technical provisions is recognized in income for the period (and may be reversed at a later stage).

◆ Income statement

Income and expenses recognized for the insurance policies issued by the Group are shown under the "Income from other activities" and "Expenses on other activities" line items.

Income and expenses pertaining to the proprietary trading activities of the insurance entities are recognized under the line items related to them.

Note 1.3.13 Property and equipment and intrangible assets

Property and equipment and intangible assets shown in the statement of financial position comprise assets used in operations and investment property. Assets used in operations are those used in the provision of services or for administrative purposes. Investment property comprises assets held to earn rentals or for capital appreciation, or both. Investment property is accounted for at cost, in the same way as assets used in operations.

Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs incurred in the construction or adaptation of property assets are not capitalized.

Subsequent to initial recognition, property and equipment are measured using the historical cost method, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. The Group has adopted the component approach for property used in operations and investment property.

The depreciable amount is cost less residual value, net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.

Depreciation and amortization is calculated over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity. Intangible assets that have an indefinite useful life are not amortized.

Depreciation and amortization of assets used in operations is recognized in "Allowance/write-back of amortization and provisions for fixed operating assets" in the income statement.

Depreciation and amortization relating to investment properties is recognized in "Expenses of the other activities" in the income statement.

The depreciation and amortization periods are:

Property and equipment:

– Land, fixtures, utility services	15-30 years
– Buildings – structural work (depending on the type of building in question)	20-80 years
– Construction – equipment	10-40 years
– Fixtures and installations	5-15 years
– Office equipment and furniture	5-10 years
– Safety equipment	3-10 years
– Rolling stock	3-5 years
– Computer equipment	3-5 years

Intangible fixed assets:

– Software bought or developed in-house	1-10 years
– Businesses acquired (if acquisition of customer contract portfolio)	9-10 years

Depreciable and amortizable assets are tested for impairment when there is evidence at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets (such as leasehold rights) are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. The carrying amount after reversal of the impairment loss cannot exceed the carrying amount which would have been calculated if no impairment had been recognized.

Impairment losses relating to operating assets are recognized in the income statement in "Depreciation, amortization and impairment of property, plant and equipment and intangible assets".

Impairment losses relating to investment properties are recognized in "Expenses on other activities" (for additional impairment losses) and "Income from other activities" (for reversals) in the income statement.

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in "Net gains/(losses) on disposals of other assets". Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

Note 1.3.14 Corporate income tax

This item includes all current or deferred income taxes.

Current income tax is calculated based on applicable tax regulations.

◆ Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax basis, except for goodwill.

Deferred taxes are calculated using the liability method, based on the latest enacted tax rate applicable to future periods.

Net deferred tax assets are recognized only in cases where their recovery is considered highly probable. Current and deferred taxes are recognized as tax income or expense, except deferred taxes relating to unrealized or deferred gains and losses recognized in equity, for which the deferred tax is taken directly to equity.

Deferred tax assets and liabilities are offset when they arise within a single tax entity or tax group, are subject to the tax laws of the same country, and there is a legal right of offset. They are not discounted.

Note 1.3.15 Interest paid by the French Government on some loans

Within the framework of aid to the rural and agricultural sector, as well as the purchase of residential property, some Group entities provide loans at low interest rates, set by the government. Consequently, these entities receive from the government a contribution equal to the rate differential between the interest rate offered to customers and the predefined benchmark rate. Therefore, no discount is recognized in respect of the loans benefiting from these subsidies.

The structure of the offset mechanism is reviewed by the government on a periodic basis.

The contribution received from the government is recorded in the "Interest and similar income" line and spread over the life of the corresponding loans, pursuant to IAS 20.

Note 1.3.16 Financial guarantees and financing commitments given

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, these financial guarantees are still measured using French GAAP (i.e. as off-balance sheet items), pending an addition to the standards to enhance the current mechanism. Consequently, these guarantees are subject to a provision in liabilities in the event of a likely outflow of resources.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a non-financial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IAS 39. These guarantees are thus treated as derivatives.

Financing commitments that are not regarded as derivatives within the meaning of IAS 39 are not shown in the statement of financial position. However, a provision is made in accordance with IAS 37.

Note 1.3.17 Foreign exchange transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the year-end exchange rate.

◆ Monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

◆ Non-monetary financial assets and liabilities

Foreign currency gains and losses on the translation of such items are recognized in the income statement if the items are classified at fair value through profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss", or under "Unrealized or deferred gains and losses" if they are classified as available-for-sale.

When consolidated investments denominated in a foreign currency are financed by a loan taken out in the same currency, the loan concerned is covered by a cash flow hedge.

Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of shareholders' equity, under "Cumulative translation adjustment". The income statements of foreign subsidiaries are translated into euro at the average exchange rate for the year, and the resulting translation differences are recorded under "Cumulative translation adjustment". On liquidation or disposal of some or all of the interests held in a foreign entity, the corresponding portion of this cumulative translation adjustment is recognized through the income statement.

Note 1.3.18 Non-current assets held for sale and discontinued operations

A non-current asset (or group of assets) is classified in this category if it is held for sale and it is highly probable that the sale will occur within 12 months of the end of the reporting period.

The related assets and liabilities are shown separately in the statement of financial position, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". Items in this category are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated/amortized.

When assets held for sale or the associated liabilities become impaired, an impairment loss is recognized in the income statement.

Discontinued operations include operations that are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gains/(losses) on discontinued operations and assets held for sale".

Note 1.3.19 Judgments made and estimates used in the preparation of the financial statements

Preparation of the financial statements may require the use of assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements. This requires managers to draw upon their judgment and experience and make use of the information available at the date of preparation of the financial statements when making the necessary estimates. This applies in particular to:

– the impairment of debt and equity instruments,
– the use of calculation models when valuing financial instruments that are not listed on an active market and are classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss",
– the assessment of the active nature of certain markets,
– calculation of the fair value of financial instruments that are not listed on an active market and are classified in "Loans and receivables" or "Held-to-maturity financial assets" for which this information must be provided in the notes to the financial statements,
– impairment tests performed on intangible fixed assets,
– measurement of provisions, including retirement obligations and other employee benefits.

Notes to the consolidated financial statements (in millions of euros)

Note 2 Analysis of statement of financial position and income statement items by activity and geographic region

The Group's activities are as follows:

– Retail banking brings together the network of Caisses de Crédit Mutuel CM10, CIC's regional banks, Targobank Germany, Targobank Spain, Cofidis, Banque Marocaine du Commerce Exterieur and all specialist activities the products of which are sold by the network: equipment and real estate leasing, factoring, collective investment, employee savings plans and real estate.

– The insurance business line comprises the Assurances du Crédit Mutuel Group.

– Financing and capital markets covers:

a. financing for major corporations and institutional clients, specialized lending, international operations and foreign branches;

b. capital markets activities in general, spanning customer and own account transactions involving interest rate instruments, foreign exchange and equities, including brokerage services.

– Private banking encompasses all companies specializing in this area, both in France and internationally.

– Private equity, conducted for the Group's own account, and financial engineering make up a business unit.

– Logistics and holding company services include all activities that cannot be attributed to another business line (holding) and units that provide solely logistical support: intermediate holding companies, as well as specific entities holding real estate used for operations and IT entities.

Each consolidated company is included in only one business line, corresponding to its core business, on the basis of the contribution to the Group's results. The only exceptions are CIC and BFCM because of their presence across several business lines. As such, their income, expenses and statement of financial position balances are subject to an analytical distribution.

Note 2a Breakdown of the statement of financial position items by business line

Assets 2011

	Retail banking	Insurance
Cash, central banks, post office banks - Assets	2,253	0
Financial assets at fair value through profit or loss	130	12,523
Hedging derivative instruments – Assets	354	0
Available-for-sale financial assets	815	45,254
Loans and receivables due from credit institutions	23,601	13
Loans and receivables due from customers	240,030	251
Held-to-maturity financial assets	64	10,276
Equity-accounted investments	779	398

Liabilities 2011

	Retail banking	Insurance
Cash, central banks, post office banks - Liabilities	0	0
Financial liabilities at fair value through profit or loss	87	1,972
Hedging derivative instruments - Liabilities	1,279	0
Due to credit institutions	(0)	(0)
Due to customers	170,563	84
Debt securities	33,280	0

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 receivables due from 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 liabilities at fair value through profit or loss	74	2,154
Hedging derivative instruments - Liabilities	1,026	0
Due to credit institutions	0	0
Due to customers	130,829	57
Debt securities	22,112	0

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
1,490	985	0	1,579	6,307
23,201	150	1,804	255	38,063
116	4	0	460	935
21,650	3,755	8	721	72,204
11,961	2,946	9	73	38,603
16,441	7,124	0	59	263,906
362	6	0	5,413	16,121
0	1	0	494	1,671

Financing and capital markets	Private banking	Private equity	Logistics and holding company	Total
0	282	0	0	282
28,817	133	0	0	31,009
2,656	461	0	(473)	3,923
36,422	0	(0)	0	36,422
6,045	14,609	0	8,786	200,086
53,911	36	0	(0)	87,227

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
32,161	162	0	0	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

Note 2b Breakdown of the income statement items by business line

December 31st, 2011

	Retail banking	Insurance	Financing and capital markets
Net banking income	9,206	967	885
General operating expenses	- 5,484	- 351	- 256
Gross operating income	**3,722**	**615**	**630**
Net additions to/reversals from provisions for loan losses	- 879	- 44	- 149
Net gains (losses) on disposal of other assets	36	44	
Net income before tax	**2,879**	**615**	**481**
Corporate income tax	- 926	- 194	- 181
Net income	**1,953**	**421**	**300**
Non-controlling interests			
Net income attributable to the Group			

December 31st, 2010

	Retail banking	Insurance	Financing and capital markets
Net banking income	8,401	1,198	1,074
General operating expenses	- 4,890	- 367	- 262
Gross operating income	**3,511**	**831**	**812**
Net additions to/reversals from provisions for loan losses	- 1,154	0	- 32
Net gains (losses) on disposal of other assets	30	- 3	0
Net income before tax	**2,388**	**828**	**780**
Corporate income tax	- 800	- 144	- 190
Net income	**1,588**	**684**	**590**
Non-controlling interests			
Net income attributable to the Group			

Private banking	Private equity	Logistics and holding company	Inter-businesses	Total
432	93	27	- 557	11,053
- 317	- 34	- 1,057	557	- 6,942
115	59	- 1,030	0	4,112
- 43	0	- 342		- 1,456
13	0	- 30		62
86	59	- 1,402	0	2,718
- 18	- 2	408		- 913
68	57	- 994	0	1,805
				182
				1,623

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

Note 2c Breakdown of the statement of financial position items by geographic region

Assets

	December 31st, 2011		
	France	Europe excluding France	Rest of the world [1]
Cash, central banks, post office banks – Assets	2,766	2,050	1,490
Financial assets at fair value through profit or loss	36,149	929	985
Hedging derivative instruments – Assets	927	6	2
Available-for-sale financial assets	66,455	4,931	818
Loans and receivables due from credit institutions	33,080	3,387	2,136
Loans and receivables due from customers	238,611	21,966	3,329
Held-to-maturity financial assets	16,115	6	0
Equity-accounted investments	812	303	556

Liabilities

	December 31st, 2011		
	France	Europe excluding France	Rest of the world [1]
Cash, central banks, post office banks – Liabilities	0	282	0
Financial liabilities at fair value through profit or loss	30,425	353	230
Hedging derivative instruments – Liabilities	3,414	466	43
Due to credit institutions	19,550	9,757	7,115
Due to customers	176,428	23,029	629
Debt securities	86,276	464	488

1. USA, Singapore, Tunisia and Morocco.

Note 2d Breakdown of the income statement items by geographic region

	December 31st, 2011		
	France	Europe excluding France	Rest of the world [1]
Net banking income [2]	8,944	1,861	249
General operating expenses	- 5,606	- 1,267	- 68
Gross operating income	**3,337**	**593**	**181**
Net additions to/reversals from provisions for loan losses	- 1,024	- 429	- 3
Net gains (losses) on disposal of other assets [3]	17	3	42
Net income before tax	**2,331**	**168**	**220**
Net income	1,549	116	141
Net income attributable to the Group	**1,421**	**71**	**131**

1. USA, Singapore, Tunisia and Morocco.
2. In 2011, 22% of the net banking income (excluding logistics and holding business line) came from foreign operations.
3. Including net income of associates and impairment losses on goodwill.

	December 31st, 2010			
Total	France	Europe excluding France	Rest of the world [1]	Total
6,307	2,074	1,166	3,977	7,217
38,063	38,562	1,080	1,586	41,229
935	124	10	1	135
72,204	69,099	6,189	1,241	76,529
38,603	32,330	4,841	2,942	40,113
263,906	204,849	21,371	3,084	229,304
16,121	10,727	6	0	10,733
1,671	840	173	468	1,481

	December 31st, 2010			
Total	France	Europe excluding France	Rest of the world [1]	Total
282	0	44	0	44
31,009	32,843	1,518	190	34,551
3,923	2,623	426	23	3,073
36,422	10,596	13,486	3,768	27,850
200,086	140,005	22,539	924	163,467
87,227	77,244	9,985	7,805	95,035

	December 31st, 2010			
Total	France	Europe excluding France	Rest of the world [1]	Total
11,053	8,534	2,011	343	10,889
- 6,942	- 4,952	- 1,330	- 74	- 6,356
4,111	**3,582**	**681**	**269**	**4,533**
- 1,456	- 524	- 602	- 180	- 1,305
62	- 25	- 12	33	- 3
2,718	**3,034**	**68**	**122**	**3,225**
1,805	2,172	58	110	2,341
1,623	**1,853**	**10**	**98**	**1,961**

Note 3 Scope of consolidation

	December 31st, 2011			December 31st, 2010		
	% Control	% Interest	Method [1]	% Control	% Interest	Method [1]
Banking network						
Banque de l'Economie du Commerce et de la Monétique	100	99	FC	96	92	FC
Banque du Crédit Mutuel Ile-de-France (BCMI)	100	99	FC	100	96	FC
CIC Ouest	100	93	FC	100	89	FC
CIC Nord-Ouest	100	93	FC	100	89	FC
Caisse Agricole du Crédit Mutuel	100	100	FC	100	100	FC
Crédit Industriel et Commercial (CIC)	94	93	FC	93	89	FC
CIC Est	100	93	FC	100	89	FC
CIC Iberbanco	100	99	FC	100	96	FC
CIC Lyonnaise de Banque (LB)	100	93	FC	100	89	FC
CIC Sud-Ouest	100	93	FC	100	89	FC
Targobank AG & Co. KGaA	100	99	FC	100	96	FC
Targobank Spain (former Banco Popular Hipotecario)	50	49	PC	50	48	PC
Banking network subsidiaries						
Banque de Tunisie	20	20	EM	20	19	EM
Banque du Groupe Casino	50	49	PC			NC
Banque Marocaine du Commerce Extérieur (BMCE)	25	24	EM	25	24	EM
Banca Popolare di Milano	7	6	EM	5	4	EM
Caisse Centrale du Crédit Mutuel	49	49	EM	26	26	ME
CM-CIC Asset Management	89	90	FC	84	80	FC
CM-CIC Bail	100	93	FC	100	89	FC
CM-CIC Home Loans SFH	100	99	FC	100	96	FC
CM-CIC Epargne salariale	100	93	FC	100	89	FC
CM-CIC Gestion	100	93	FC	100	89	FC
CM-CIC Laviolette Financement	100	89	FC	100	89	FC
CM-CIC Lease	100	96	FC	100	92	FC
CM-CIC Leasing Benelux	100	93	FC	100	89	FC
CM-CIC Leasing GmbH	100	93	FC	100	89	FC
Cofidis Argentina	66	28	FC	66	22	FC
Cofidis Belgium	100	42	FC	100	33	FC
Cofidis Spain			MER	100	33	FC
Cofidis France	100	42	FC	100	33	FC
Cofidis Italia	100	42	FC	100	33	FC
Cofidis Czech Republic	100	42	FC	100	33	FC
Cofidis Romania			NC	100	33	FC
Cofidis Slovakia	100	42	FC	100	33	FC
Creatis	100	42	FC	100	33	FC
C2C	100	42	FC	100	33	FC
Factocic	96	91	FC	85	79	FC
FCT CM-CIC Home Loans	100	99	FC	100	96	FC
Monabanq	100	42	FC	100	33	FC
Saint-Pierre SNC	100	93	FC	100	89	FC
SCI La Tréflière	100	99	FC	100	98	FC
Sofim	100	93	FC	100	89	FC
Sofemo – Société Fédérative Europ. de Monétique et de Financement	100	97	FC	100	93	FC
Targo Dienstleistungs GmbH	100	99	FC	100	96	FC
Targo Finanzberatung GmbH	100	99	FC	100	96	FC

	December 31st, 2011			December 31st, 2010		
	% Control	% Interest	Method [1]	% Control	% Interest	Method [1]
Financing and capital markets banks						
Banque Fédérative du Crédit Mutuel	99	99	FC	96	96	FC
Cigogne Management	100	95	FC	100	92	FC
CM-CIC Securities	100	93	FC	100	89	FC
Diversified Debt Securities SICAV - SIF	100	94	FC	100	91	FC
Divhold	100	94	FC	100	91	FC
Ventadour Investissement	100	99	FC	100	96	FC
Private banking						
Agefor SA Genève	70	65	FC	70	62	FC
Alternative Gestion SA Genève	45	58	EM	45	55	EM
Banque de Luxembourg	100	94	FC	100	91	FC
Banque Pasche (Liechtenstein) AG	53	49	FC	53	47	FC
Banque Pasche Monaco SAM	100	93	FC	100	89	FC
Banque Transatlantique	100	93	FC	100	89	FC
Banque Transatlantique Belgium	100	92	FC	100	87	FC
Banque Transatlantique Luxembourg	90	90	FC	90	85	FC
Banque Transatlantique Singapore Private Ltd	100	93	FC	100	89	FC
Calypso Management Company	70	65	FC	70	62	FC
Banque Pasche	100	93	FC	100	89	FC
CIC Suisse	100	93	FC	100	89	FC
Dubly-Douilhet	63	58	FC	63	56	FC
GPK Finance			MER	100	89	FC
LRM Advisory SA	70	65	FC	70	62	FC
Pasche Bank & Trust Ltd Nassau	100	93	FC	100	89	FC
Pasche Finance SA Fribourg	100	93	FC	100	89	FC
Pasche Fund Management Ltd	100	93	FC	100	89	FC
Pasche International Holding Ltd	100	93	FC	100	89	FC
Pasche SA Montevideo	100	93	FC	100	89	FC
Serficom Brasil Gestao de Recursos Ltda	50	47	FC	52	45	FC
Serficom Family Office Inc	100	93	FC	100	89	FC
Serficom Family Office Brasil Gestao de Recursos Ltda	52	48	FC	52	46	FC
Serficom Family Office SA	100	93	FC	100	89	FC
Serficom Investment Consulting (Shanghaï)	100	93	FC	100	89	FC
Serficom Maroc SARL	100	93	FC	100	89	FC
Transatlantique Gestion	100	93	FC	100	89	FC
Valeroso Management Ltd	100	93	FC	100	89	FC
Private equity						
CM-CIC Investissement (formerly CIC Banque de Vizille)	100	93	FC	98	87	FC
CM-CIC Capital Finance (formerly CIC Finance)	100	93	FC	100	89	FC
CIC Investissement			MER	100	89	FC
CIC Vizille Participations			NC	100	87	FC
Financière Voltaire			MER	100	89	FC
Institut de Participations de l'Ouest (IPO)			MER	100	89	FC
IPO Ingénierie			MER	100	89	FC
Sudinnova	66	61	FC	63	55	FC
CM-CIC Conseil (formerly Vizille Capital Finance)	100	93	FC	100	87	FC
CM-CIC Capital Innovation (formerly Vizille Capital Innovation)	100	93	FC	100	87	FC

	December 31st, 2011			December 31st, 2010		
	% Control	% Interest	Method [1]	% Control	% Interest	Method [1]
Logistics and holding compagny						
Actimut	100	100	FC	0	0	NC
Adepi	100	93	FC	100	89	FC
Carmen Holding Investissement	84	82	FC	67	64	FC
CIC Migrations	100	93	FC	100	89	FC
CIC Participations	100	93	FC	100	89	FC
Cicor	100	93	FC	100	89	FC
Cicoval	100	93	FC	100	89	FC
CM Akquisitions	100	99	FC	100	96	FC
CM-CIC Services	100	100	FC	100	100	FC
CMCP – Crédit Mutuel Cartes de paiement	59	61	FC	50	49	FC
Cofidis Participations	51	42	FC	51	33	FC
Est Bourgogne Rhône-Alpes (EBRA)	100	99	FC	100	96	FC
Efsa	100	93	FC	100	89	FC
Euro-Information	79	78	FC	73	71	FC
Euro-Information Développement	100	78	FC	100	71	FC
EIP	100	100	FC	100	100	FC
Euro-Protection Services	100	83	FC	100	72	FC
Euro-Protection Surveillance	100	83	FC			NC
France Est	100	99	FC			NC
Gesteurop	100	93	FC	100	89	FC
Gestunion 2	100	93	FC	100	89	FC
Gestunion 3	100	93	FC	100	89	FC
Gestunion 4	100	93	FC	100	89	FC
Groupe Républicain Lorrain – GRLC	100	99	FC	100	96	FC
Impex Finance	100	93	FC	100	89	FC
L'Est Républicain	92	90	FC			NC
Marsovalor	100	93	FC	100	89	FC
NRJ Mobile	95	74	FC	90	64	FC
Pargestion 2	100	93	FC	100	89	FC
Pargestion 4	100	93	FC	100	89	FC
Placinvest	100	93	FC	100	89	FC
Société Civile de Gestion des Parts dans *L'Alsace* – SCGPA	100	99	FC	100	98	FC
Société française d'édition de journaux et d'imprimés commerciaux *L'Alsace* – SFEJIC	99	97	FC	99	95	FC
Sofiholding 2	100	93	FC	100	89	FC
Sofiholding 3	100	93	FC	100	89	FC
Sofiholding 4	100	93	FC	100	89	FC
Sofinaction	100	93	FC	100	89	FC
Targo Akademie	100	99	FC	100	96	FC
Targo Deutschland GmbH	100	99	FC	100	96	FC
Targo IT Consulting GmbH	100	99	FC	100	96	FC
Targo Management AG	100	99	FC	100	96	FC
Targo Realty Services GmbH	100	99	FC	100	96	FC
Ufigestion 2	100	93	FC	100	89	FC
Ugépar Service	100	93	FC	100	89	FC
Valimar 2	100	93	FC	100	89	FC
Valimar 4	100	93	FC	100	89	FC
VTP 1	100	93	FC	100	89	FC
VTP 5	100	93	FC	100	89	FC

	December 31st, 2011			December 31st, 2010		
	% Control	% Interest	Method [1]	% Control	% Interest	Method [1]
Insurance companies						
ACM GIE	100	84	FC	100	72	FC
ACM IARD	96	81	FC	96	70	FC
ACM Nord IARD	49	41	EM	49	35	EM
ACM Services	100	84	FC	100	72	FC
ACM Vie	100	84	FC	100	72	FC
ACM Vie, Société d'Assurance Mutuelle	100	100	FC	100	100	FC
Astree	30	25	EM	30	22	EM
Atlancourtage	100	84	FC			NC
Groupe des Assurances du Crédit Mutuel (GACM)	86	84	FC	77	72	FC
ICM Life	100	84	FC	100	72	FC
ICM Ré			NC	100	70	FC
Immobilière ACM	100	84	FC	100	72	FC
MTRL	100	100	FC	100	100	FC
Partners	100	84	FC	100	72	FC
Procourtage	100	84	FC	100	72	FC
RMA Watanya	22	18	EM	22	16	EM
Serenis Assurances	100	84	FC	100	72	FC
Serenis Vie	100	84	FC	100	72	FC
Royal Automobile-Club de Catalogne	49	41	EM	49	35	EM
Voy Mediación	90	74	FC			NC
Other companies						
Affiches d'Alsace-Lorraine	100	88	FC			NC
Agence générale d'informations régionales	100	95	FC	49	47	EM
Alsace Média Participation	100	88	FC			NC
Alsace Publicité			NC	100	95	FC
Alsatic	80	70	FC			NC
Alsacienne de portage des DNA	100	88	FC			NC
A. Télé	69	48	FC			NC
Cime & mag	100	97	FC	100	95	FC
CM-CIC Immobilier	99	99	FC			
Dernières Nouvelles d'Alsace	99	88	FC			NC
Dernières Nouvelles de Colmar	100	88	FC			NC
Distripub	100	97	FC	100	95	FC
Documents AP	100	99	FC	100	96	FC
Est Imprimerie	100	95	FC	100	93	FC
Est Bourgogne Médias	100	99	FC			NC
Europe Régie	66	64	FC	66	62	FC
France Régie	100	88	FC			NC
Groupe Le Progrès	100	99	FC	100	96	FC
Groupe Républicain Lorrain Imprimeries – GRLI	100	99	FC	100	96	FC
Immocity	100	99	FC	100	96	FC
Imprimerie Michel	100	99	FC	100	96	FC
Interprint	100	99	FC	100	96	FC
Jean Bozzi Communication	100	99	FC	100	96	FC
Journal de la Haute-Marne	50	45	EM			NC
La Liberté de l'Est	96	91	FC	49	47	EM
La Tribune	100	99	FC	100	96	FC
L'Alsace	100	97	FC	100	95	FC

	December 31st, 2011			December 31st, 2010		
	% Control	% Interest	Method [1]	% Control	% Interest	Method[1]
L'Alsace Magazines Editions – L'Ame	100	97	FC	100	95	FC
Le Bien Public			MER	100	96	FC
Le Dauphiné Libéré	100	99	FC	100	96	FC
Le Républicain Lorrain	100	99	FC	100	96	FC
Les Editions de l'Echiquier	100	97	FC	100	95	FC
Le Journal de Saône-et-Loire			MER	100	96	FC
Lumedia	50	49	PC	50	48	PC
Massena Property	100	84	FC	100	72	FC
Massimob	100	81	FC	100	70	FC
Mediaportage	100	97	FC	100	95	FC
Presse Diffusion	100	99	FC	100	96	FC
Promopresse	100	99	FC	100	96	FC
Publicité Moderne	100	90	FC			NC
Publiprint Dauphiné	100	99	FC	100	96	FC
Publiprint Province n° 1	100	99	FC	100	96	FC
Républicain Lorrain – TV news	100	99	FC	100	96	FC
Républicain Lorrain Communication	100	99	FC	100	96	FC
Républicain Lorrain Voyages	100	99	FC	100	96	FC
Roto Offset Imprimerie	100	97	FC	100	95	FC
SCI ADS	100	84	FC	100	72	FC
SCI Alsace	90	88	FC	90	85	FC
SCI Ecriture	100	97	FC	100	95	FC
SCI Gutenberg	100	99	FC	100	96	FC
SCI Le Progrès Confluence	100	99	FC	100	96	FC
SCI Roseau d'or	100	97	FC	100	95	FC
SDV Plurimédia	20	18	EM			NC
Foncière Massena	100	83	FC	78	56	FC
Société Alsacienne de Presse et d'Audiovisuelle	60	53	FC			NC
Société d'édition de l'hebdomadaire du Louhannais et du Jura	100	99	FC			NC
Société d'édition des hebdomadaires et périodiques locaux	100	98	FC	100	95	FC
Sofiliest	100	95	FC	49	47	EM
Société de Presse Investissement (SPI)	100	89	FC			NC
Top Est 88	100	46	FC			NC

1. Method:
FC = Full consolidation.
PC = Proportionate consolidation.
EM = Equity method.
NC = Not consolidated.
MER = Merged.

Note 4 Cash, central banks

Note 4a Loans and receivables due from credit institutions

	December 31st, 2011	December 31st, 2010
Cash and amounts due from central banks		
Due from central banks	5,431	6,399
– including reserve requirements	*1,898*	*1,668*
Cash	875	818
Total	**6,307**	**7,217**
Total on a comparable basis	*6,202*	
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts [1]	19,186	13,283
Other current accounts	1,820	4,561
Loans	7,105	7,222
Other receivables	4,451	7,405
Securities not listed in an active market	3,672	4,681
Repurchase agreements	1,141	1,742
Individually impaired receivables	1,099	1,267
Accrued interest	439	301
Impairment provisions	- 310	- 350
Total	**38,603**	**40,113**
Total on a comparable basis	*38,517*	

1. Mainly outstanding repayments CDC (Caisse des Dépôts et Consignations) relating to LEP, LDD and Livret bleu passbook savings accounts).

Note 4b Amounts due to credit institutions

	December 31st, 2011	December 31st, 2010
Due from central banks	282	44
Due to credit institutions		
Crédit Mutuel network accounts	0	0
Other current accounts	1,477	3,563
Borrowings	27,597	17,295
Other	4,692	2,870
Repurchase agreements	2,573	4,052
Accrued interest	83	69
Total	**36,704**	**27,894**
Total on a comparable basis	*34,944*	

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

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

	December 31st, 2011			December 31st, 2010		
	Transaction	Fair value option	Total	Transaction	Fair value option	Total
Securities	13,860	14,745	28,605	15,931	14,329	30,260
– Government securities	*1,409*	*24*	*1,433*	*2,766*	*30*	*2,796*
– Bonds and other fixed-income securities	*11,977*	*3,172*	*15,149*	*11,994*	*3,790*	*15,784*
Listed	*11,977*	*3,083*	*15,060*	*11,994*	*3,743*	*15,737*
Unlisted	*0*	*88*	*88*	*0*	*48*	*48*
– Equities and other variable-income securities	*473*	*11,550*	*12,023*	*1,171*	*10,509*	*11,680*
Listed	*473*	*9,822*	*10,295*	*1,171*	*8,933*	*10,104*
Unlisted	*0*	*1,728*	*1,728*	*0*	*1,575*	*1,575*
Trading derivative instruments	2,359	0	2,359	2,521	0	2,521
Other financial assets		7,100	7,100		8,448	8,448
including resale agreements		*7,096*	*7,096*		*8,448*	*8,448*
Total	**16,219**	**21,845**	**38,063**	**18,451**	**22,778**	**41,229**
Total on a comparable basis			*38,063*			

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

	December 31st, 2011	December 31st, 2010
Financial liabilities held for trading	6,642	7,312
Financial liabilities at fair value by option through profit or loss	24,367	27,239
Total	**31,009**	**34,551**
Total on a comparable basis	*31,008*	

Own credit risk is insignifiant.

◆ Financial liabilities held for trading

	December 31st, 2011	December 31st, 2010
Short selling of securities	1,087	1,864
– Government securities	*0*	*1*
– Bonds and other fixed-income securities	*641*	*1,315*
– Equities and other variable-income securities	*447*	*548*
Repurchase agreements		
Trading derivative instruments	*4,752*	*4,687*
Other financial liabilities held for trading	802	760
Total	**6,642**	**7,312**
Total on a comparable basis	*6,641*	

Financial liabilities designated under the fair value option through profit or loss

	December 31st, 2011			December 31st, 2010		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	60	60	0	473	472	1
Subordinated debt	0	0	0	0	0	0
Interbank liabilities	23,691	23,679	12	25,615	25,609	6
Due to customers	615	615	0	1,151	1,151	0
Total	**24,367**	**24,354**	**13**	**27,239**	**27,232**	**7**
Total on a comparable basis	*24,367*	*24,354*	*13*			

Note 5c Fair value hierarchy

	December 31st, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	68,939	1,552	1,713	72,204
– Government and similar securities, AFS	*15,031*	*315*	*0*	*15,346*
– Bonds and other fixed-income securities, AFS	*47,316*	*1,201*	*566*	*49,083*
– Equities and other variable-income securities, AFS	*5,327*	*0*	*166*	*5,493*
– Investments in non-consolidated companies and other LT investments, AFS	*1,234*	*9*	*567*	*1,810*
– Investments in associates, AFS	*32*	*26*	*415*	*473*
Held for trading/Fair value option (FVO)	22,787	12,517	2,759	38,063
– Government and similar securities, held for trading	*1,094*	*315*	*0*	*1,409*
– Government and similar securities, FVO	*24*	*0*	*0*	*24*
– Bonds and other fixed-income securities, held for trading	*8,985*	*2,075*	*917*	*11,977*
– Bonds and other fixed-income securities, FVO	*2,727*	*441*	*4*	*3,172*
– Equities and other securities, held for trading	*459*	*0*	*14*	*473*
– Equities and other securities, FVO	*9,462*	*416*	*1,672*	*11,550*
– Loans and receivables due from credit institutions, FVO	*0*	*2,792*	*0*	*2,792*
– Loans and receivables due from customers, FVO	*0*	*4,308*	*0*	*4,308*
– Derivative instruments and other financial liabilities, held for trading	*37*	*2,170*	*152*	*2,359*
Hedging derivative instruments	0	923	12	935
Total	**91,728**	**14,991**	**4,485**	**111,204**

	December 31st, 2011			
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Held for trading/Fair value option (FVO)	1,929	29,016	64	31,009
– Due to credit institutions, FVO	*0*	*23,691*	*0*	*23,691*
– Due to customers, FVO	*0*	*615*	*0*	*615*
– Debt securities, FVO	*0*	*60*	*0*	*60*
– Subordinated debt, FVO	*0*	*0*	*0*	*0*
– Derivative instruments and other financial liabilities, held for trading	*1,929*	*4,649*	*64*	*6,642*
Hedging derivative instruments	0	2,941	982	3,923
Total	**1,929**	**31,956**	**1,046**	**34,931**

There are three levels of fair value of financial instruments, in accordance with what has been defined by IFRS 7:
– Level 1 instruments: valued using stock market prices. In the case of capital market activities, these include debt securities with prices quoted by at least four contributors and derivative instruments quoted on a regulated market.
– Level 2 instruments: measured using valuation techniques based primarily on observable inputs. In the case of capital market activities, these comprise debt securities with prices quoted by two to three contributors and derivative instruments traded over the counter, which are not included in level 3.
– Level 3 instruments: measured using valuation techniques based primarily on unobservable inputs. These involve unquoted equities, and, in the case of capital markets activities, debt securities quoted by a single contributor and derivative instruments valued using primarily unobservable parameters.

Outstanding amounts relating to Greek sovereign debt and designated as level 1 as of December 31st, 2010 were transferred to level 2 as of December 31st, 2011, as a result of revising the market value of a liquidity factor used for valuation.

Level 3 details

	Opening balance	Purchases	Sales	Gains and losses recognized in profit	Other mouvements	Closing balance
Equities and other variable-income securities, FVO	1,569	429	- 383	40	17	1,672

Note 6 Hedging

Note 6a Hedging derivative instruments

	December 31st, 2011		December 31st, 2010	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	5	44	4	45
Fair value hedges (change in value recognized through profit or loss)	929	3,879	131	3,028
Total	**935**	**3,923**	**135**	**3,073**
Total on a comparable basis	*935*	*3,921*		

Note 6b Remeasurement adjustment on interest-rate risk hedged investments

	Fair value December 31st, 2011	Fair value December 31st, 2010	Change in fair value
Fair value of interest-rate by investment category			
Financial assets	738	594	144
Financial liabilities	- 2,813	- 1,963	- 850

Note 6c Analysis of derivative instruments

	December 31st, 2011			December 31st, 2010		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
– *Swaps*	*360,202*	*1,362*	*3,952*	*380,632*	*1,630*	*3,656*
– *Other forward contracts*	*8,394*	*4*	*1*	*10,704*	*4*	*0*
– *Options and conditional transactions*	*32,039*	*117*	*121*	*48,440*	*213*	*259*
Foreign exchange derivative instruments						
– *Swaps*	*84,374*	*41*	*77*	*114,540*	*39*	*85*
– *Other forward contracts*	*17,422*	*172*	*116*	*15,737*	*121*	*101*
– *Options and conditional transactions*	*17,493*	*195*	*195*	*15,865*	*169*	*169*
Derivative instruments other than interest-rate and foreign exchange						
– *Swaps*	*16,567*	*374*	*242*	*22,289*	*288*	*347*
– *Other forward contracts*	*1,951*	*0*	*0*	*3,598*	*0*	*0*
– *Options and conditional transactions*	*788*	*95*	*48*	*1,624*	*56*	*70*
Sub-total	**539,229**	**2,359**	**4,752**	**613,427**	**2,521**	**4,687**
Hedging derivative instruments						
Fair value hedges						
– *Swaps*	*74,351*	*929*	*3,879*	*67,075*	*131*	*3,028*
– *Other forward contracts*	*0*	*0*	*0*	*0*	*0*	*0*
– *Options and conditional transactions*	*5*	*0*	*0*	*2*	*1*	*0*
Cash flow hedges						
– *Swaps*	*157*	*4*	*39*	*0*	*2*	*45*
– *Other forward contracts*	*0*	*0*	*4*	*0*	*0*	*0*
– *Options and conditional transactions*	*0*	*1*	*0*	*0*	*2*	*0*
Sub-total	**74,513**	**935**	**3,923**	**67,077**	**135**	**3,073**
Total	**613,743**	**3,294**	**8,675**	**550,264**	**2,656**	**7,760**
Total on a comparable basis	*595,656*	*3,294*	*8,663*			

Note 7a Available-for-sale financial assets

	December 31st, 2011	December 31st, 2010
Government securities	15,148	13,790
Bonds and other fixed-income securities	48,959	53,419
– Listed	*48,237*	*52,953*
– Unlisted	*723*	*466*
Equities and other variable-income securities	5,531	6,267
– Listed	*5,349*	*6,094*
– Unlisted	*182*	*173*
Long-term investments	2,244	2,741
– Investments in non-consolidated companies	*1,529*	*1,648*
– Other long-term investments	*277*	*399*
– Investments in associates	*435*	*694*
– Securities lent	*3*	*0*
Accrued interest	322	311
Total	**72,204**	**76,529**
Total on a comparable basis	*72,103*	
Including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity	*- 1,314*	*- 651*
Including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity	*385*	*437*
Including impairment of bonds and other fixed-income securities	*- 713*	*- 91*
Including impairment of equities and other variable-income securities and long-term investments	*- 2,286*	*- 1,743*

Note 7b List of major investments in non-consolidated companies

		Percent interest	Equity	Total assets	NBI or revenue	Net income
Crédit Logement	Unlisted	< 5%	1,452	9,477	181	87
CRH (Caisse de Refinancement de l'Habitat)	Unlisted	< 20%	208	42,846	2	0
Foncière des Régions	Listed	< 5%	6,028	14,701	751	871
Banco Popular Spain	Listed	< 5%	8,252	130,140	3,462	604
Veolia Environnement	Listed	< 5%	10,895	51,511	34,787	872

The figures above (excluding the percentage of interest) relate to 2010.

Note 7c Exposure to sovereign risk

For several years now, Greece has been experiencing a crisis of confidence that made it impossible for the country to raise funds in the financial markets in order to balance its budget. In May 2010, the IMF and the eurozone countries approved a first-aid package of 110 billion euros, which was followed in July 2011 by a second package totaling nearly 160 billion euros. The latter included a Greek bond swap program, which was accessible to private investors on a voluntary basis (Private Sector Involvement). This mechanism has two purposes: to reduce the amount of Greece's debt and extend its maturity in order to bring the debt in line with the country's economic situation. Consequently, as at the June 30th interim reporting date, the Group recognized impairment losses on Greek sovereign securities that were maintained as at December 31st, 2011, as the situation was still unstable. The impairment was reflected in the financial statements by the recognition in income, under the item "Net additions to/ reversals from provisions for loan losses", of unrealized losses on securities classified as "Available for sale".

The Group's Greek sovereign securities are classified either as held for trading or as available for sale and are stated at their fair value, which is established from observed market prices adjusted for issue-specific liquidity factors.

The financial conditions of the debt swap plan were set on February 21st, 2012. They include a discount of 53.5%; the exchange of securities currently held by investors for securities issued by the Greek government for 31.5% of the nominal amount, with maturities ranging from 11 to 30 years and a weighted average interest rate of 3.65%, supplemented by other securities of the same nominal amount (amortizable over the period) giving investors the right to a coupon if the country's GDP growth rate exceeds certain thresholds; as well as short-term securities issued by the European Financial Stability Facility and amounting to 15% of the nominal amount.

Ireland and Portugal also benefited from aid packages from the European Union and the IMF when the deterioration in their public finances no longer allowed them to raise the funds they needed because the markets lacked confidence. At this time, the projected recovery of the debt of these two countries does not appear to be compromised and therefore does not warrant recognition of impairment.

Exposure to Greek sovereign risk

Net outstandings at December 31st, 2011 [1]	Banking	Insurance	Total
Financial assets at fair value through profit or loss	22		22
Available-for-sale financial assets	171	11	182
Held-to-maturity financial assets		1	1
Total	**193**	**13**	**206**
Net banking income			(58)
Net additions to/reversals from provisions for loan losses			(451)
Total before tax			**(509)**
Total after tax			**(330)**

1. Amounts are shown net of any insurance policyholder profit-sharing portion.

Other countries with a support plan

Net exposure at December 31st, 2011 [1]	Portugal	Ireland
Financial assets at fair value through profit or loss	50	
Available-for-sale financial assets	104	99
Held-to-maturity financial assets		
Total	**154**	**99**

Residual contractual maturity	Portugal	Ireland
< 1 year	39	
1 to 3 years	20	
3 to 5 years	29	
5 to 10 years	59	94
> 10 years	7	5
Total	**154**	**99**

1. Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.

Other sovereign risk exposures in the banking portfolio

Net exposure at December 31st, 2011	Spain	Italy
Financial assets at fair value through profit or loss	131	99
Available-for-sale financial assets	130	4,396
Held-to-maturity financial assets		
Total	**261**	**4,495**

Residual contractual maturity	Spain	Italy
< 1 year	66	1,266
1 to 3 years	28	2,076
3 to 5 years	69	375
5 to 10 years	17	545
> 10 years	81	233
Total	**261**	**4,495**

Note 8 Customers

Note 8a Loans and receivables due from customers

	December 31st, 2011	December 31st, 2010
Performing loans	251,674	217,497
Commercial loans	5,158	4,326
Other customer loans	245,553	212,242
– Home loans	*137,216*	*115,258*
– Other loans and receivables, including resale agreements	*108,337*	*96,984*
Accrued interest	592	512
Securities not listed in an active market	371	417
Insurance and reinsurance receivables	167	170
Individually impaired receivables	11,154	10,756
Gross receivables	**262,995**	**228,423**
Individual impairment	- 6,896	- 6,719
Collective impairment	- 526	- 408
Sub-total [1]	**255,573**	**221,296**
Finance leases (net investment)	8,475	8,138
Furniture and movable equipment	5,315	5,263
Real estate	2,979	2,698
Individually impaired receivables	181	177
Provisions for impairment	- 142	- 130
Sub-total [2]	**8,333**	**8,008**
Total	**263,906**	**229,304**
Total on a comparable basis	*237,294*	
of which non-voting loan stock	*10*	*28*
of which subordinated notes	*22*	*12*

Finance leases with customers

	December 31st, 2010	Acquisition	Sale	Other	December 31st, 2011
Gross carrying amount	8,138	1,745	- 1,436	28	8,475
Impairment of irrecoverable rent	- 130	- 43	31	0	- 142
Net carrying amount	**8,008**	**1,702**	**- 1,405**	**27**	**8,333**

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	2,736	4,507	1,708	8,951
Present value of future minimum lease payments receivable	2,560	4,300	1,694	8,554
Unearned finance income	**176**	**207**	**13**	**397**

Note 8b Amounts due to customers

	December 31st, 2011	December 31st, 2010
Regulated savings accounts	81,566	59,412
– demand	*56,408*	*38,479*
– term	*25,159*	*20,933*
Accrued interest on savings accounts	44	25
Sub-total	**81,610**	**59,437**
Demand deposits	59,368	54,579
Term accounts and loans	58,211	47,839
Repurchase agreements	151	684
Accrued interest	662	872
Insurance and reinsurance payables	84	57
Sub-total	**118,476**	**104,030**
Total	**200,086**	**163,467**
Total on a comparable basis	*177,026*	

Note 9 Held-to-maturity financial assets

	December 31st, 2011	December 31st, 2010
Securities	16,195	10,742
– Government securities	*97*	*0*
– Bonds and other fixed-income securities	*16,098*	*10,742*
Listed	*11,178*	*10,713*
Unlisted	*4,920*	*29*
– Accrued interest	*13*	*2*
Gross total	**16,208**	**10,745**
Of which impaired assets	*121*	*25*
Provisions for impairment	- 87	- 12
Net total	**16,121**	**10,733**
Total on a comparable basis	*16,121*	

Note 10 Movements in provisions for impairment

	December 31st, 2010	Additions	Reversals	Others [1]	December 31st, 2011
Loans and receivables due from credit institutions	- 350	- 3	51	- 8	- 310
Loans and receivables due from customers	- 7,256	- 1,691	1,766	- 383	- 7,564
Available-for-sale securities	- 1,834	- 1,151	15	- 30	- 2,999
Held-to-maturity securities	- 12	- 76	0	0	- 87
Total	**- 9,451**	**- 2,921**	**1,832**	**- 421**	**- 10,960**

1. Of which - 335 million euros related to newly consolidated.

At December 31st, 2011, provisions for loans and receivables due from customers amounted to 7,564 million euros (compared to 7,256 million euros at the end of 2010), of which collective provisions totaled 526 million euros. Individual provisions essentially relate to overdrawn current accounts, for 929 million euros (compared to 915 million euros at the end of 2010), and to provisions for commercial and other loans (including home loans) for 5.967 million euros (compared to 5.804 million euros at the end of 2010).

Note 11 Reclassification 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, 2011		December 31st, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables portfolio	4,539	4,235	5,582	5,294
AFS portfolio	7,413	7,414	9,284	9,284

	December 31st, 2011	December 31st, 2010
Gains (losses) which would have been recognized at fair value through profit or loss if the assets had not been reclassified	- 184	140
Unrealized gains (losses) which would have been recognized directly in shareholders' equity if the assets had not been reclassified	47	- 139
Gains (losses) on reclassified assets, recognized in income (NBI and net additions to/reversals of provisions for loan losses)	- 8	20

Note 12 Exposures affected by the financial crisis

The exposures affected by the financial crisis are presented below.
The portfolios are carried at market value established on the basis of external inputs obtained from regulated markets, major brokers or, where no price was available, on the basis of comparable listed securities.

Summary	December 31st, 2011	December 31st, 2010
	Carrying amount	Carrying amount
RMBS	3,985	5,579
CMBS	366	458
CLO	1,543	1,887
Other ABS	897	849
CLO covered by CDS	721	833
Other ABS covered by CDS	28	49
Liquidity facilities	351	334
Total	**7,890**	**9,989**

Unless otherwise stated, securities are not covered by CDS.

Exposures at December 31st, 2011	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,173	353	26	366	1,918
AFS	966	13	192	227	1,399
Loans	1,845	0	1,325	304	3,474
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
France	14	2	0	354	369
Spain	305	0	20	206	531
United Kingdom	413	30	0	52	496
Europe excluding France, Spain and United Kingdom	1,306	0	694	144	2,144
USA	1,795	320	828	121	3,064
Rest of the world	151	13	0	21	186
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
US Agencies	521	0	0	0	521
AAA	1,560	303	716	421	3,001
AA	187	30	737	107	1,062
A	242	23	51	98	413
BBB	145	2	26	121	294
BB	119	0	12	20	151
B or below	1,211	8	0	131	1,350
Not rated	0	0	0	0	0
Total	**3,985**	**366**	**1,543**	**897**	**6,791**

Exposures at December 31st, 2010	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,819	306	23	343	2,491
AFS	1,835	147	29	287	2,298
Loans	1,925	5	1,835	219	3,984
Total	**5,579**	**458**	**1,887**	**849**	**8,773**
France	14	1	0	407	422
Europe excluding France	2,803	84	889	398	4,174
USA	2,366	291	998	0	3,655
Rest of the world	396	82	0	44	522
Total	**5,579**	**458**	**1,887**	**849**	**8,773**
US Agencies	1,075	0	0	0	1,075
AAA	2,984	346	1,070	601	5,001
AA	322	92	600	78	1,092
A	69	20	179	7	275
BBB	71	0	26	150	247
BB	43	0	12	13	68
B or below	1,015	0	0	0	1,015
Not rated	0	0	0	0	0
Total	**5,579**	**458**	**1,887**	**849**	**8,773**

Note 13a Current income tax

	December 31st, 2011	December 31st, 2010
Asset (by income)	1,607	1,122
Liability (by income)	561	527

Note 13b Deferred income tax

	December 31st, 2011	December 31st, 2010
Asset (by income)	950	926
Asset (by shareholders' equity)	805	436
Liability (by income)	645	714
Liability (by shareholders' equity)	197	225

◆ Breakdown of deferred income tax by major categories

	December 31st, 2011		December 31st, 2010	
	Asset	Liability	Asset	Liability
Temporary differences in respect of:				
– Deferred gains (losses) on available-for-sale securities	*805*	*197*	*436*	*225*
– Impairment provisions	*572*		*544*	
– Unrealized finance lease reserve		*136*		*112*
– Earnings of fiscally transparent (pass-through) companies		*4*		*4*
– Remeasurement of financial instruments	*909*	*161*	*661*	*286*
– Accrued expenses and accrued income	*149*	*952*	*76*	*616*
– Tax losses [1 2]	*123*		*244*	
– Insurance activities	*31*	*192*	*39*	*232*
– Other timing differences	*111*	*144*	*10*	*112*
Netting	- 944	- 944	- 648	- 648
Total deferred tax assets and liabilities	**1,755**	**842**	**1,362**	**939**

Deferred taxes are calculated using the liability method. For the French companies, the deferred tax rate is 36.10% (i.e., the standard tax rate).
1. Of which USA tax losses: 122 million euros in 2011 and 176 million euros in 2010.

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

Note 14a Accruals and other assets

	December 31st, 2011	December 31st, 2010
Accruals assets		
Collection accounts	604	479
Currency adjustment accounts	334	13
Accrued income	513	458
Other accruals	1,911	2,331
Sub-total	**3,362**	**3,281**
Other assets		
Securities settlement accounts	111	93
Guarantee deposits paid	7,646	6,154
Miscellaneous receivables	5,760	5,684
Inventories	42	33
Other	13	22
Sub-total	**13,571**	**11,986**
Other insurance assets		
Technical provisions, reinsurers' share	255	260
Other	84	83
Sub-total	**339**	**343**
Total	**17,272**	**15,610**
Total on a comparable basis	*17,031*	

Note 14b Accruals and other liabilities

	December 31st, 2011	December 31st, 2010
Accrual accounts liabilities		
Accounts unavailable due to collection procedures	453	464
Currency adjustment accounts	349	275
Accrued expenses	874	871
Deferred income	1,623	1,334
Other accruals	2,514	6,101
Sub-total	**5,814**	**9,043**
Other liabilities		
Securities settlement accounts	84	75
Outstanding amounts payable on securities	53	70
Other payables	3,929	2,747
Sub-total	**4,066**	**2,892**
Other insurance liabilities		
Deposits and guarantees received	150	163
Sub-total	**150**	**163**
Total	**10,030**	**12,098**
Total on a comparable basis	*9,564*	

Note 15 Equity-accounted investments

Equity value and share of net income (loss)

		Percent interest
ACM Nord	Unlisted	49.00%
ASTREE Assurance	Listed	30.00%
Banca Popolare di Milano [1]	Listed	6.99%
Banque de Tunisie	Listed	20.00%
Banque Marocaine du Commerce Extérieur	Listed	24.64%
CCCM	Unlisted	49.46%
RMA Watanya	Unlisted	22.02%
Royal Automobile-Club de Catalogne	Unlisted	48.99%
Other	Unlisted	
Total		
Total on a comparable basis		

1. Goodwill relating to BPM (41 millions of euros) was written off in full during 2011.

Financial data published by the major equity-accounted entities

	Total assets	NBI or revenues	Net income
ACM Nord	149	125	8
ASTREE Assurance [1 2]	277	91	16
Banca Popolare di Milano [1]	54,053	322	111
Banque de Tunisie	3,142	148	56
Banque Marocaine du Commerce Extérieur [1 3]	187,187	7,552	1,426
CCCM	6,056	36	25
RMA Watanya [1 3]	222,247	4,448	2,240
Royal Automobile-Club de Catalogne	101	130	8

1. 2010 amounts. 2. In millions of Tunisian dinars. 3. In millions of Moroccan dirhams.

Banca Popolare di Milano scarl or "BPM"

During the first half of 2011, the Banca Popolare di Milano was asked by the regulatory authority, the Bank of Italy, to strengthen its capital. In response, BPM carried out a capital increase during the last quarter of 2011 at a new share price of 30 euro cents, to which the Group subscribed in proportion to its interest. This was followed, on December 29st, by the early redemption in shares of convertible bonds issued in 2009.

After these two transactions, the total number of shares issued by BPM is 3,229,621,379 and the number of shares held by the Group is 226 million, representing a 6.99% equity interest as at December 31st, 2011. At January 1st, 2011, the Group's interest in BPM was 4.99%. The increase in the percentage of interest was due to the larger proportion of convertible bonds over shares held by the Group. The investment in BPM is accounted for using the equity method, as the CM10-CIC Group, which retains its position

December 31st, 2011 Investment value	Share of net income (loss)	Percent interest	December 31st, 2010 Investment value	Share of net income (loss)
19	3	19.00%	17	1
18	- 1	30.00%	21	3
196	- 31	4.99%	174	1
52	6	20.00%	49	7
831	21	24.64%	833	15
192	4	25.90%	95	4
298	16	22.02%	210	8
62	- 13	48.99%	77	- 14
3	0		4	1
1,671	**6**		**1,481**	**26**
1,669	*5*			

as a strategic partner to BPM's Board of Directors and is also a member of its Executive Committee and the Finance Committee, is deemed to exercise significant influence over the entity. The investment's carrying amount must therefore reflect the Group's share of BPM's net assets (IFRS), up to the value in use. This value was determined using the dividend discount method (DDM), which involves discounting over a long period of time future distributable profits, obtained from estimated earnings less the regulatory reserve needed for compliance with solvency ratio requirements.

The estimated earnings used were those presented in the October 28th, 2011 stock offering prospectus (the latest data available). The discount rate was determined using the long-term, risk-free interest rate plus a risk premium taking into account the volatility of the BPM shares. The resulting value in use was 85 euro cents per BPM share. An analysis of sensitivity to key parameters used by the model, in particular the discount rate, shows that a 100 basis points increase in the discount rate would reduce the value in use by 13%.

Based on this valuation, the carrying amount of the equity-accounted investment reported in the financial statements was 196 millions of euros (net of any impairment losses). As a reminder, at December 31st, 2011 the BPM closing price on the Milan stock exchange was 31 euro cents and at February 23th, 2012 the opening price was 50 euro cents. The stock market value of the Group's interest in BPM was 70 million euros at December 31st, 2011 and 113 million euros at February 23th, 2012. As at September 30th, 2011, BPM's total assets reported in the consolidated financial statements (IFRS) stood at 51,927 million euros and shareholders' equity amounted to 3,795 million euros, including net income for the first nine months of 2011 of 49 million euros. On October 4th, 2011, the Group sold its entire interest (6.49%) in Banca di Legnano DpA to BPM. After this transaction, BPM fully owned this subsidiary and subsequently merged it on February 11th, 2012 with another subsidiary, Cassa di Risparmio di Alessandria SpA.

During 2011, the Group recognized in income, in addition to its 2 million euros share of BPM's net income for the year, the loss arising from the redemption of convertible bonds, the accretion effect of the increase in the percentage of its equity interest, the resulting impairment of the investment's value in use and the result of the disposal of Banca di Legnano shares, namely a loss of 73 million euros. Of this amount, - 42 million euros was recorded in NBI and - 31 million euros in "Share of net income (loss) of associates".

Note 16 Investment Property

	December 31st, 2010	Additions	Disposals	Other movements	December 31st, 2011
Historical cost	1,019	115	- 11	- 1	1,121
Accumulated depreciation and impairment losses	- 187	- 25	1	- 1	- 212
Net amount	**832**	**89**	**- 10**	**- 2**	**909**
Total on a comparable basis					*909*

The fair value of investment property carried at amortized cost was 1,270 million euros at December 31st, 2011.

Note 17a Property and equipment

	December 31st, 2010	Additions	Disposals	Other movements	December 31st, 2011
Historical cost					
Land used in operations	429	3	- 2	20	449
Buildings used in operations	3,620	199	- 50	350	4,120
Other property and equipment	2,174	209	- 191	105	2,298
Total	**6,223**	**411**	**- 243**	**475**	**6,866**
Accumulated depreciation and impairment losses					
Land used in operations	- 1	0	0	- 2	- 3
Buildings used in operations	- 1,844	- 201	41	- 184	- 2,188
Other property and equipment	- 1,575	- 180	141	- 121	- 1,734
Total	**- 3,419**	**- 381**	**182**	**- 307**	**- 3,926**
Net amount	**2,803**	**30**	**- 61**	**168**	**2,940**
Total on a comparable basis					*2,764*
Of which leased under finance leases					
Land used in operations	6				6
Buildings used in operations	81			- 5	76
Total	**87**	**0**	**0**	**- 5**	**82**

Note 17b Intangible assets

	December 31st, 2010	Additions	Disposals	Other movements	December 31st, 2011
Historical cost					
Internally developed intangible assets	14	1	- 1	0	15
Purchased intangible assets	1,529	71	- 31	101	1,670
– sofware	*463*	*22*	*- 10*	*2*	*476*
– other	*1,066*	*49*	*- 20*	*99*	*1,194*
Total	**1,544**	**72**	**- 31**	**101**	**1,685**

	December 31st, 2010	Acquisitions	Disposals	Other movements	December 31st, 2011
Accumulated depreciation and impairment losses					
Internally developed intangible assets					
Purchased intangible assets	- 537	- 151	16	- 9	- 682
– *software*	*- 192*	*- 64*	*8*	*0*	*- 248*
– *other*	*- 345*	*- 87*	*8*	*- 9*	*- 433*
Total	**- 537**	**- 151**	**16**	**- 9**	**- 682**
Net amount	**1,006**	**- 79**	**- 15**	**92**	**1,004**
Total on a comparable basis					*919*

Note 18 Goodwill

	December 31st, 2010	Acquisitions	Disposals	Other movements	December 31st, 2011
Goodwill, gross	4,360	120		0	4,480
Accumulated impairment losses	- 169		- 4	- 10	- 182
Net goodwill	**4,192**	**120**	**- 4**	**- 10**	**4,298**
Total on a comparable basis					*4,298*

Subsidiaries	Goodwill at December 31st, 2010	Acquisitions	Disposals	Impairment charges/ reversals	Goodwill at December 31st, 2011
Targobank Germany	2,757	5			2,763
Crédit Industriel et Commercial (CIC)	497				497
Cofidis Participations	378				378
Targobank Spain (former Banco Popular Hipotecario)	183				183
NRJ Mobile	78				78
CIC Private Banking – Banque Pasche	52	1			52
Banque Casino	0	27			27
CM-CIC Investissement	21				21
Monabanq	17				17
CIC Iberbanco	15				15
Banque de Luxembourg	13				13
Banque Transatlantique	6				6
Transatlantique Gestion	5				5
Other	169	86	- 4	- 10	242
Total	**4,192**	**120**	**- 4**	**- 10**	**4,298**

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.

Note 19 Debt securities

	December 31st, 2011	December 31st, 2010
Retail certificates of deposit	744	574
Interbank instruments and money market securities	46,601	63,220
Bonds	38,755	30,567
Accrued interest	1,128	673
Total	**87,227**	**95,035**
Total on a comparable basis	*86,983*	

Note 20 Insurance companies' technical provisions

	December 31st, 2011	December 31st, 2010
Life	57,542	56,983
Non-life	2,084	2,015
Unit of account	6,135	6,827
Other	199	193
Total	**65,960**	**66,018**
Of which deferred profit-sharing liability	*1,838*	*3,339*
Deferred profit-sharing asset	0	0
Reinsurers' share of technical reserves	255	260
Total net technical provisions	**65,705**	**65,758**
Total on a comparable basis	*65,705*	

Note 21 Provisions

	December 31st, 2010	Additions	Reversals (provisions used)	Reversals (provisions not used)	Other movements	December 31st, 2011
Provisions for risks	**453**	**73**	**- 84**	**- 70**	**24**	**395**
Signature commitments	144	47	- 10	- 46	4	139
Financing and guarantee commitments	1	0	- 1	0	0	0
On country risks	20	0	- 2	0	0	18
Provision for taxes	119	6	- 56	0	- 4	65
Provisions for claims and litigation	137	15	- 6	- 19	20	147
Provision for risks on miscellaneous receivables	32	5	- 9	- 5	4	26
Other provisions	**863**	**149**	**- 140**	**- 135**	**11**	**748**
Provisions for home savings accounts and plans	124	0	- 9	- 33	23	105
Provisions for miscellaneous contingencies	461	83	- 118	- 78	17	365
Other provisions	279	66	- 13	- 24	- 30	278
Provisions for retirement benefits [1]	**212**	**61**	**- 17**	**- 14**	**361**	**604**
Retirement benefits defined benefit and equivalent, excluding pension funds						
Retirement bonuses [2]	101	48	- 12	- 2	272	407
Supplementary retirement benefits	66	10	- 4	- 3	34	103
Long service awards (other long-term benefits)	33	3	- 1	- 7	55	82
Sub-total to statement of financial position	**199**	**61**	**- 17**	**- 12**	**361**	**592**
Supplementary retirement benefit defined benefit, provided by Group's pension funds						
Provisions for pension fund shortfalls [3] *Fair value of plan assets*	13	0	0	- 2	- 2	11
Sub-total to statement of financial position	**13**	**0**	**0**	**- 2**	**- 2**	**11**
Total	**1,529**	**283**	**- 241**	**- 219**	**395**	**1,747**
Total on a comparable basis						*1,667*

◆ Assumptions

	December 31st, 2011	December 31st, 2010
Discount rate [4]	4.7%	4.0%
Annual increase in salaries [5]	Minimum 1.8%	Minimum 1.5%

1. Employee-related liability amounts as at December 31st, 2010 which were covered by insurance contracts within the Group were reclassified from "Insurance technical provisions" to "Provisions".
2. 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 CM10-CIC Group).
3. The provision for pension fund shortfalls only covers foreign entities.
4. The discount rate used is the yield on long-term bonds issued by leading companies, estimated based on the IBOXX index.
5. The annual increase in salaries is the estimate of cumulative future salary inflation. Since 2010, it is also based on the age of the employees.

Movements in provision for retirement bonuses

	December 31st, 2010 [1]	Discounted amount	Financial income	Cost of services performed
Commitments	395	13		28
Amortization	- 64			
Insurance contract	2		0	
Provisions	329	13	0	28

1. Employee-related liability amounts as at December 31st, 2010 which were covered by insurance contracts within the Group were reclassified from "Insurance technical provisions" to "Provisions".

Provisions for home savings accounts and plans signature risk

	December 31st, 2011	December 31st, 2010
Home savings plan outstandings		
Seniority under 10 years	13,766	9,903
Seniority over 10 years	4,441	4,231
Total	**18,207**	**14,134**
Savings account outstandings	2,952	2,424
Total home savings accounts and plans	**21,159**	**16,557**

Home savings loans

	December 31st, 2011	December 31st, 2010
Outstandings home savings loans recognized in statement of financial position (amount used to calculate risk provisions)	823	726

Provisions for home savings accounts and plans

	Opening balance	Net additions /reversals	Other movements [1]	Closing balance
On home savings accounts	36	4	8	48
On home savings plans	66	(40)	8	34
On home savings loans	22	(5)	6	23
Total	**124**	**(41)**	**22**	**105**

Analysis of provisions on home savings plans by seniority

	Opening balance	Net additions /reversals	Other movements [1]	Closing balance
Seniority under 10 years	43	(36)	5	12
Seniority over 10 years	23	(4)	3	22
Total	**66**	**(40)**	**8**	**34**

1. Impacts related to newly consolidated entities.

Other costs, incl. past service	Actuarial gains (losses)	Payment to beneficiaries	Insurance premiums	Other	December 31st, 2011
4	16	- 31		38	463
11					- 53
		0	0	1	3
15	16	- 31	0	37	407

Home savings accounts (comptes épargne-logement, CEL) and home savings plans (plans épargne-logement, PEL) are French regulated savings products, allowing individual customers to invest over time in an interest bearing account giving subsequent entitlement to a home loan. These products place a two fold commitment on the distributor:

– a commitment to provide a return to depositors on amounts invested: fixed-rate for PEL and variable-rate (periodically reviewed based on benchmark indexes) for CEL,

– a commitment to lend to those customers on demand, on predetermined terms (for both CEL and PEL).

The commitments have been estimated on the basis of customer statistical behavior and market inputs.

A provision is established in the liabilities section of the statement of financial position to cover potential future costs arising from unfavorable conditions relating to these products, on the basis of interest rates offered to individual customers by similar, non-regulated products. This approach is based on homogeneous generations of regulated terms for PEL. The impact on income is recognized as interest due to customers.

The decrease in the provisions for risks at December 31st, 2011 compared to the previous year is due to a downward revision of expected future interest rates (determined using a Cox-Ingersoll-Ross rate model or similar).

Note 22 Subordinated debts

	December 31st, 2011	December 31st, 2010
Subordinated notes	4,947	5,182
Non-voting loan stock	39	54
Perpetual subordinated notes	1,463	1,695
Other debts	19	130
Accrued interest	96	94
Total	**6,563**	**7,155**
Total on a comparable basis	*6,547*	

Main subordinated debt issues

	Type
Banque Fédérative du Crédit Mutuel	Subordinated note
Banque Fédérative du Crédit Mutuel	Subordinated note
Banque Fédérative du Crédit Mutuel	Subordinated note
Banque Fédérative du Crédit Mutuel	Subordinated note
Banque Fédérative du Crédit Mutuel	Subordinated note
Banque Fédérative du Crédit Mutuel	Subordinated note
Banque Fédérative du Crédit Mutuel	Subordinated note
CIC	Perpetual subordinated note
Banque Fédérative du Crédit Mutuel	Deeply subordinated note
Banque Fédérative du Crédit Mutuel	Deeply subordinated note
Banque Fédérative du Crédit Mutuel	Deeply subordinated note

1. Amounts net of intra-Group balances.
2. Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
3. Non amortizable, but redeemable at borrower's discretion with effect from May 28th, 1997 at 130% of par revalued by 1.5% annually for subsequent years.
4. 10-year CMS ISDA CIC + 10 basis points.
5. 10-year CMS ISDA + 10 basis points.
6. Fixed-rate 4.471 until October 28st, 2015 and there after 3-month Euribor + 185 basis points.

Issue date	Amount issued	Amount at December 31st, 2011 [1]	Rate	Maturity
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
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
December 6th, 2011	1,000 million euros	1,000 million euros	5,30	December 6th, 2018
October 22nd, 2010	1,000 million euros	1,000 million euros	4,00	Octobre 22nd, 2020
May 28th, 1985	137 million euros	21 million euros	[2]	[3]
December 15th, 2004	750 million euros	749 million euros	[4]	Perpetual
February 25th, 2005	250 million euros	250 million euros	[5]	Perpetual
April 28th, 2005	600 million euros	390 million euros	[6]	Perpetual

Note 23a Shareholders' equity, Group share (excluding unrealized or deferred gains or losses)

	December 31st, 2011	December 31st, 2010
Capital stock and additional paid-in capital and reserves	5,596	5,139
– Capital	*5,596*	*5,139*
– Premium relating to issue, transfer, merger, split, conversion	*0*	*0*
Consolidated reserves	17,878	13,698
– Regulated reserves	*7*	*6*
– Translation reserves	*20*	*5*
– Other reserves (including effects related to first application of standards)	*17,813*	*13,616*
– Retained earnings	*38*	*70*
Net income	1,623	1,961
Total	**25,097**	**20,799**

◆ 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 subcription of "Parts B" per member to 50,000 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 régional du Crédit Mutuel de Normandie and the Caisse Crédit Mutuel "Cautionnement Mutuel de l'Habitat", a mutual loan security company, has been issuing priority interest-bearig shares known as "Parts P" since 1999. The subscription of "Parts P" is reserved for the distributors of secured loans outside the CM10 Group.

At December 31st, 2011, the capital of the Caisses de Crédit Mutuel broke down as follows:
– 175.8 million euros of "Parts A" type shares, as against 133.2 million euros on December 31st, 2010,
– 5,372.9 million euros of "Parts B" type shares, as against 4,915.5 million euros on December 31st, 2010,
– 47,4 million euros of "Parts P" type shares, as against 90.7 million euros on December 31st, 2010.

Note 23b Unrealized or deferred gains and losses

	December 31st, 2011	December 31st, 2010
Unrealized or deferred gains and losses [1] relating to:		
Available-for-sale financial assets		
– Equities	*385*	*437*
– Bonds	*- 1,314*	*- 651*
Cash flow hedges	- 105	- 89
Share of unrealized or deferred gains and losses of associates	- 14	4
Total	**- 1,048**	**- 298**
Attributable to the Group	*- 988*	*- 291*
Non-controlling interests	*- 60*	*- 7*

1. Net of tax.

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

	December 31st, 2011	December 31st, 2010
	Movements	Movements
Translation adjustements		
Reclassification in income	0	0
Other movements	- 5	0
Sub-total	**- 5**	**0**
Remeasurement of available-for-sale financial assets		
Reclassification in income	- 143	- 131
Other movements	- 908	- 139
Sub-total	**- 766**	**- 270**
Remeasurement of hedging derivative instruments		
Reclassification in income	0	0
Other movements	- 16	- 45
Sub-total	**- 16**	**- 45**
Revaluation of the fixed assets		
Actuarial deviations on defined benefit plans		
Share of unrealized or deferred gains and losses of associates	- 18	4
Total	**- 805**	**- 311**

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

	Changes December 31st, 2011			Changes December 31st, 2010		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	- 5	0	- 5	0	0	0
Remeasurement of available-for-sale financial assets	- 1,129	363	- 766	- 316	47	- 270
Remeasurement of hedging derivative instruments	- 19	2	- 16	- 46	0	- 45
Share of unrealized or deferred gains and losses of associates	- 18	0	- 18	4	0	4
Total gains and losses recognized directly in shareholders' equity	**- 1,170**	**366**	**- 805**	**- 358**	**47**	**- 311**

Note 24 Commitments given and received

Commitments given

	December 31st, 2011	December 31st, 2010
Financing commitments		
To credit institutions	1,626	1,721
To customers	52,107	49,014
Guarantee commitments		
To credit institutions	2,265	6,217
To customers	13,677	10,765
Commitments on securities		
Other commitments given	440	892
Commitments given by insurance business line	**316**	**324**

Commitments received

	December 31st, 2011	December 31st, 2010
Financing commitments		
From credit institutions	20,665	22,810
From customers	0	0
Guarantee commitments		
From credit institutions	30,925	27,890
From customers	7,487	5,446
Commitments on securities		
Other commitments received	31	601
Commitments received by insurance business line	**6,751**	**7,766**

Assets pledged as collateral for liabilities

	December 31st, 2011	December 31st, 2010
Loaned securities	5	0
Security deposits on market transactions	7,646	6,154
Securities sold under repurchase agreements	26,758	30,561
Total	**34,409**	**36,715**

Note 25 Interest income, interest expense and equivalent

	December 31st, 2011		December 31st, 2010	
	Income	Expense	Income	Expense
Credit institutions and central banks	1,350	- 1,324	1,232	- 1,149
Customers *– of which finance leases and operating leases*	13,760 *2,681*	- 5,855 *- 2,361*	12,300 *2,602*	- 4,700 *- 2,284*
Hedging derivative instruments	1,885	- 2,229	2,430	- 3,080
Available-for-sale financial assets	773		644	
Held-to-maturity financial assets	192		170	
Debt securities		- 2,184		- 1,592
Subordinated debt		- 68		- 65
Total	**17,960**	**- 11,660**	**16,776**	**- 10,586**

Note 26 Fees and commissions

	December 31st, 2011		December 31st, 2010	
	Income	Expense	Income	Expense
Credit institutions	14	- 4	22	- 6
Customers	1,174	- 17	1,055	- 13
Securities *– of which funds managed for third parties*	739 *489*	- 53	771 *519*	- 60
Derivative instruments	4	- 13	5	- 20
Foreign exchange	19	- 3	21	- 4
Financing and guarantee commitments	46	- 5	51	- 9
Services provided	1,656	- 856	1,737	- 791
Total	**3,653**	**- 951**	**3,662**	**- 903**

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

	December 31st, 2011	December 31st, 2010
Trading derivative instruments	35	- 159
Instruments designated under the fair value option [1]	- 124	115
Ineffective portion of hedging instruments	- 42	55
– Cash flow hedges	0	2
– Fair value hedges	- 42	53
Change in fair value of hedged items	*405*	*235*
Change in fair value of hedging items	*- 447*	*- 182*
Foreign exchange gains (losses)	61	64
Total changes in fair value	**- 70**	**75**

1. Of which 98 million euros relating to the private equity business line.

Note 28 Net gains (losses) on available-for-sale financial assets

December 31st, 2011	Dividends	Realized gains (losses)	Impairment losses	Total
Government securities, bonds and other fixed-income securities		16	0	16
Equities and other variable-income securities	9	16	- 40	- 15
Long-term investments	79	116	- 103	92
Other	0	- 82	0	- 82
Total	**88**	**67**	**- 143**	**11**

December 31st, 2010	Dividends	Realized gains (losses)	Impairment losses	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**

Note 29 Other income and expense

	December 31st, 2011	December 31st, 2010
Income from other activities		
Insurance contracts	9,336	11,355
Investment property	1	1
– gains on disposals	*0*	*1*
Expenses rebilled	69	6
Other income	1,588	1,287
Sub-total	**10,994**	**12,648**
Expenses on other activities		
Insurance contracts	- 7,852	- 9,913
Investment property	- 22	- 21
– net movements in depreciation, amortization and impairment (based on the accounting method selected)	*- 21*	*- 20*
– losses on disposals	*- 1*	*- 1*
Other expenses	- 1,011	- 976
Sub-total	**- 8,885**	**- 10,910**
Other income and expense net	**2,109**	**1,738**

◆ Net income from the insurance business line

	December 31st, 2011	December 31st, 2010
Earned premiums	7,869	8,916
Claims and benefits expenses	- 6,018	- 5,256
Movements in provisions	- 1,854	- 4,680
Other technical and non-technical income and expense	69	75
Net investment income	1,418	2,386
Total	**1,485**	**1,442**

Note 30 General operating expenses

	December 31st, 2011	December 31st, 2010
Payroll costs	- 4,043	- 3,606
Other operating expenses	- 2,899	- 2,750
Total	**- 6,942**	**- 6,356**

Note 30a Payroll costs

	December 31st, 2011	December 31st, 2010
Salaries and wages	- 2,581	- 2,263
Social security contributions	- 1,015	- 893
Employee benefits	- 7	- 8
Incentive bonuses and profit-sharing	- 171	- 221
Payroll taxes	- 266	- 217
Other expenses	- 3	- 5
Total	**- 4,043**	**- 3,606**

Number of employees

	December 31st, 2011	December 31st, 2010
Average number of employees		
Banking staff	39,825	34,579
Management	21,320	18,601
Total	**61,145**	**53,180**
Analysis by country		
France	50,711	43,206
Rest of the world	10,434	9,974
Total	**61,145**	**53,180**
Total on a comparable basis	*53,109*	

Includes 275 employees of Targobank Spain and 91 employees of Banque Casino, consolidated using the proportional method.

	December 31st, 2011	December 31st, 2010
Number of employees at end of period [1]	**65,174**	**56,171**

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 equivalent, or FTE) is limited to the scope of financial consolidation (full or proportional consolidation).

Note 30b Other operating expenses

	December 31st, 2011	December 31st, 2010
Taxes and duties	- 288	- 228
External services	- 2,041	- 1,940
Other miscellaneous expenses (transportation, travel, etc.)	- 65	- 71
Total	**- 2,394**	**- 2,239**

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

	December 31st, 2011	December 31st, 2010
Depreciation and amortization	- 504	- 509
– property and equipment	*- 391*	*- 380*
– intangible assets	*- 113*	*- 129*
Impairment losses	- 1	- 1
– property and equipment	*0*	*- 1*
– intangible assets	*- 1*	*- 1*
Total	**- 505**	**- 510**

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

December 31st, 2011

	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	Total
Credit institutions	- 3	51	0	0	0	48
Customers	- 1,615	1,616	- 754	- 371	112	- 1,012
– Finance leases	- 10	6	- 3	- 6	0	- 13
– Other customer items	- 1,605	1,609	- 751	- 365	111	- 999
Sub-total	**- 1,618**	**1,667**	**- 754**	**- 371**	**112**	**- 964**
Held-to-maturity financial assets	- 2	0	0	0	0	- 2
Available-for-sale financial assets	- 464	1	- 40	- 50	44	- 509
Other	- 52	73	- 2	0	0	19
Total	**- 2,135**	**1,741**	**- 796**	**- 421**	**156**	**- 1,456**

1. Includes 451 millions of euros impairment losses on Greek sovereign debt (see Note 7c).

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 customer items	- 1,701	1,449	- 552	- 535	64	- 1,276
Sub-total	**- 1,835**	**1,772**	**- 670**	**- 541**	**65**	**- 1,209**
Held-to-maturity financial assets	- 12	0	0	0	0	- 12
Available-for-sale financial assets	0	1	- 83	- 38	0	- 120
Other	- 75	146	- 37	0	1	35
Total	**- 1,921**	**1,919**	**- 790**	**- 579**	**66**	**- 1,305**

Note 32 Gains (losses) on other assets

	December 31st, 2011	December 31st, 2010
Property, equipment and intangible assets	66	16
– *Losses on disposals*	- 12	- 23
– *Gains on disposals*	78	39
Gains (losses) on consolidated securities sold	0	0
Total	**66**	**16**

Note 33 Change in value of goodwill

	December 31st, 2011	December 31st, 2010
Impairment of goodwill	- 9	- 45
Negative goodwill recognized in income	0	0
Total	**- 9**	**- 45**

Note 34 Corporate income tax

Breakdown of income tax expense

	December 31st, 2011	December 31st, 2010
Current tax	- 854	- 1,055
Deferred tax	- 77	151
Adjustments in respect of prior years	18	20
Total	**- 913**	**- 884**

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

	December 31st, 2011	December 31st, 2010
Taxable income	2,712	3,199
Theoretical tax rate	36.10%	34.43%
Theoretical tax expense	**- 979**	**- 1,101**
Impact of specific SCR and SICOMI tax rules	18	55
Impact of changes in deferred tax rates	30	0
Impact of the reduced rate on long-term capital gains	48	34
Impact of specific tax rates of foreign entities	7	- 4
Other	- 37	133
Income tax	**- 913**	**- 884**
Effective tax rate	**33.66%**	**27.63%**

Note 35 Fair value of financial instruments recognized at amortized cost

The fair values presented are an estimate based on observable inputs at December 31st, 2011. They are determined using discounted cash flows calculated based on a risk-free interest rate curve, to which is added, in the case of asset items, a credit spread computed at the CM10-CIC Group level and reviewed each year.

The financial instruments included here are those associated with lending and borrowing. They do not include non-monetary elements (equities), trade payables, other assets, other liabilities and accruals. Non-financial instruments are not covered by this information.

The fair value of financial instruments payable on demand and of regulated customer savings accounts corresponds to the value due to the customer, i.e. the carrying amount.

Certain entities in the Group may also apply the assumption that the market value is the carrying amount, in the case of contracts with variable interest rate terms or contracts whose residual term is equal to or less than one year.

We draw attention to the fact that, with the exception of financial assets held to maturity, financial instruments carried at amortized cost are not transferable or are not in practice traded before maturity. As such, no entries are made for related capital gains or losses.

However, should financial instruments carried at amortized cost be transferred, the selling price may be significantly different from the fair value calculated at December 31st, 2011.

	December 31st, 2011		December 31st, 2010	
	Carrying amount	Market value	Carrying amount	Market value
Assets				
Loans and receivables due from credit institutions	38,603	36,909	40,113	38,103
Loans and receivables due from customers	263,906	265,489	229,304	230,419
Held-to-maturity financial assets	16,121	16,239	10,733	11,076
Liabilities				
Due to credit institutions	36,422	36,169	27,850	27,792
Due to customers	200,086	197,287	163,467	160,013
Debt securities	87,227	88,487	95,035	94,713
Subordinated debt	6,563	7,249	7,155	7,747

Note 36 Related party transactions

◆ Statement of financial position items relating to related party transactions

	December 31st, 2011			December 31st, 2010		
	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération nationale	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération nationale
Assets						
Loans, advances and securities						
– Loans and receivables due from credit institutions	*2,566*	*160*	*4,009*	*3,140*	*15*	*6,858*
– Loans and receivables due from customers	*0*	*0*	*44*	*0*	*0*	*63*
– Securities	*27*	*0*	*501*	*24*	*0*	*182*
Other assets	0	4	17	0	0	0
Total	**2,593**	**163**	**4,571**	**3,164**	**15**	**7,104**
Liabilities						
Deposits						
– Due to credit institutions	*3,745*	*0*	*2,615*	*2,888*	*0*	*2,404*
– Due to customers	*0*	*0*	*38*	*0*	*0*	*58*
– Debt securities	*139*	*0*	*864*	*5*	*0*	*692*
Other liabilities	0	0	174	0	0	304
Total	**3,885**	**0**	**3,691**	**2,893**	**0**	**3,458**
Financing and guarantee commitments						
Financing commitments given	0	102	0	0	0	0
Guarantee commitments given	0	0	54	0	0	1,486
Financing commitments received	0	0	0	0	0	25
Guarantee commitments received	0	0	226	0	0	333

◆ Income statement items relating to related party transactions

	December 31st, 2011			December 31st, 2010		
	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération nationale	Companies consolidated using the equity method	Companies consolidated using the proportional method	Confédération nationale
Interest received	64	0	107	82	0	199
Interest paid	- 62	0	- 75	- 37	0	- 35
Fee and commissions received	0	0	24	0	0	21
Fee and commissions paid	0	0	- 11	0	0	- 21
Other income (expense)	17	4	- 121	14	0	- 243
General operating expenses	0	1	- 25	0	0	- 17
Total	**19**	**4**	**- 100**	**59**	**0**	**- 97**

The Confédération Nationale included Caisse Centrale de Crédit Mutuel and Crédit Mutuel's regional Federations not associated with the CM10-CIC Group. The relationships with the parent companies mainly consist of loans and borrowings relating to cash management activities. In the case of companies consolidated using the proportional method (Banque Casino and Targobank Spain) the amounts include the portion of intercompany transactions not eliminated on consolidation.

◆ Relationships with the Group's key management

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.

In addition, at its meeting of May 19th, 2011, the board of directors of CIC approved a severance payment in case of termination of Mr. Lucas' term of office as CEO, subject to a performance related condition and representing one year of his remuneration as a corporate officer, i.e. a commitment currently estimated at 770,000 million euros (including social contributions).

At its meeting of May 8th, 2011, the board of directors of CIC approved a severance payment in case of termination of Mr. Fradin's term of office as COO, subject to a performance-related condition and representing one year of his remuneration as a corporate officer, i.e. a commitment currently estimated at 1,120,000 million euros (including social contributions). In his capacity as a corporate officer, Mr. Fradin also benefits from a supplemental pension plan on the same terms and conditions offered to all other BFCM employees. 2011 contributions to the insurance company amounted to 11,407 million euros and covered the entire commitment.

Note 37 Events after the reporting period and other information

The consolidated financial statements of the CM10-CIC Group at December 31st, 2011 were approved by the board of directors at its meeting of February 24th, 2012.

Note 38 Exposure to risk

The risk exposure information required by IFRS 7 is included in section IV of the management report.

Total renumeration paid to key management

In thousands of millions	December 31st, 2011	December 31st, 2010
	Total renumeration	
Corporate officiers, management committee, boards members who receive renumeration	5,334	5,736

Note 39 Statutory auditors' fees

In thousands of euros	Ernst & Young			
	Amount 2011	Amount 2010	Perrcentage 2011	Percentage 2010
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	*151*	*141*	*5%*	*4%*
– Fully consolidated subsidiaries	*2,775*	*2,810*	*86%*	*88%*
Other assignments and services directly related to the statutory audit [1]				
– BFCM			*0%*	*0%*
– Fully consolidated subsidiaries	*211*	*157*	*7%*	*5%*
Sous-total	**3,137**	**3,108**	**98%**	**97%**
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related			*0%*	*0%*
– Other	*74*	*99*	*2%*	*3%*
Sub-total	**74**	**99**	**2%**	**3%**
Total	**3,211**	**3,207**	**100%**	**100%**

In thousands of euros	KPMG Audit			
	Amount 2011	Amount 2010	Perrcentage 2011	Perrcentage 2010
Audit				
Statutory audit, certification and review of financial statements				
– BFCM	*242*	*100*	*4%*	*2%*
– Fully consolidated subsidiaries	*4,418*	*3,601*	*78%*	*61%*
Other assignments and services directly related to the statutory audit [1]				
– BFCM	*19*		*0%*	*0%*
– Fully consolidated subsidiaries	*327*	*260*	*6%*	*4%*
Sub-total	**5,006**	**3,961**	**89%**	**67%**
Other services provided by the networks to fully consolidated subsidiaries				
– Legal, tax and employee-related		*315*	*0%*	*5%*
– Other	*630*	*1,644*	*11%*	*28%*
Sub-total	**630**	**1,959**	**11%**	**33%**
Total	**5,636**	**5,920**	**100%**	**100%**

1. Other assignments and services directly related to the statutory audit essentially consisted of assignments taken at the request of the supervisory authority to ensure compliance of the organization and its processes with regulatory requirements.

The total audit fees paid to auditors which are not members of the network of one of the auditors certifying the consolidated and individual financial statements of BFCM, mentioned in the table above, amounted to 6,735 thousands of euros for the year 2011.

Report of the Statutory Auditors on the consolidated financial statements

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A unit of KPMG S.A.
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Statutory Auditor
Member of the Versailles regional
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Statutory Auditor
Member of the Versailles regional
institute of accountants

Groupe CM10-CIC
Year ended December 31st, 2011

Report of the statutory auditors
on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your general meeting of shareholders, we hereby report to you, for the year ended December 31st, 2011 on:

- the audit of the accompanying consolidated financial statements of Banque Fédérative du Crédit Mutuel, as appended to this report;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Justification of our assessments

The accounting estimates used to prepare the consolidated financial statements at December 31st, 2011 were made in an uncertain environment related to the public finance crisis in certain euro zone countries (and particularly Greece), combined with an economic crisis and a liquidity crisis, which makes an assessment of the economic outlook difficult. Against this backdrop, and in accordance with the requirements of article L. 823-9 of the French commercial code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Your Group uses internal models and methods to value positions in financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in notes 1 and 12 to the consolidated financial statements. We examined the control systems applied to these models and methods, the criteria used and the listing of the financial instruments to which they apply.

• In note 7c, your Group details its exposure to sovereign risk, particularly Greek sovereign risk, along with the measurement and accounting procedures applied. We examined the control systems applicable to measurement of this exposure and to the estimate of credit risk, the accounting treatment used, and the appropriateness of the information provided in the above-mentioned note.

• Your Group recognizes impairment losses on assets available for sale when there is an objective indication of a prolonged or significant reduction in the value of these assets (notes 1 and 7 to the consolidated financial statements). We examined the control systems applicable to the identification of loss of value indices, the valuation of the most significant items, and the estimates which led, if applicable, to the recognition of impairment provisions to cover losses in value.

• Your Group carried out impairment tests on goodwill and investments held, which resulted, where relevant, in the recognition of impairment provisions in respect of this financial year (notes 1 and 18 to the consolidated financial statements). We have reviewed the methods used to implement these tests, the main assumptions and parameters used and the resulting estimates which led, where applicable, to impairment losses.

• Your Group records impairment losses to cover the credit and counterparty risks inherent to its business (notes 1, 8a, 10, 21 and 31 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of losses in value by individual and collective impairment.

• Your Group recognizes deferred tax assets, in particular for tax loss carry-forwards (notes 1 and 13b to the consolidated financial statements). We examined the main estimates and assumptions that led to the recognition of these deferred taxes.

• Your Group records provisions for employee benefit obligations (notes 1 and 21 to the consolidated financial statements). We examined the systems used to assess these obligations, as well as the main assumptions and calculation methods used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, April 19th, 2012
French original signed by
The statutory auditors

KPMG Audit
A unit of KPMG S.A.

Jean-François Dandé

Ernst & Young & Autres

Isabelle Santenac

Caisse Fédérale de Crédit Mutuel – Société Coopérative à forme de société anonyme
au capital de 2 084 960 080 € régie par la loi n° 47-1775 du 10 septembre 1947,
par le code de commerce et le code monétaire et financier.
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