2016 REGISTRATION DOCUMENT

CRÉDIT MUTUEL-CM11 Group

Crédit Mutuel
Groupe CM11

BANQUE FÉDÉRATIVE
Crédit Mutuel

INTRODUCTION

As it extends its investor base and establishes itself in several markets, Banque Fédérative du Crédit Mutuel ("BFCM") has decided to prepare a document to present the Crédit Mutuel-CM11 Group as a whole to meet the specific requirements of certain markets. With an aim to provide the same level of information for all of the Group's[1] investors in Europe, North America and the Asia Pacific region, BFCM decided, for increased clarity and transparency, to issue this registration document (the "Registration Document") including all the financial information of the Crédit Mutuel-CM11 Group and the BFCM Group, which will be used for all of BFCM's financing programs (Euro Medium Term Notes Program; U.S. Medium Term Notes Program; Euro Commercial Paper; negotiable debt securities).

This Registration Document also serves as BFCM's annual financial report.

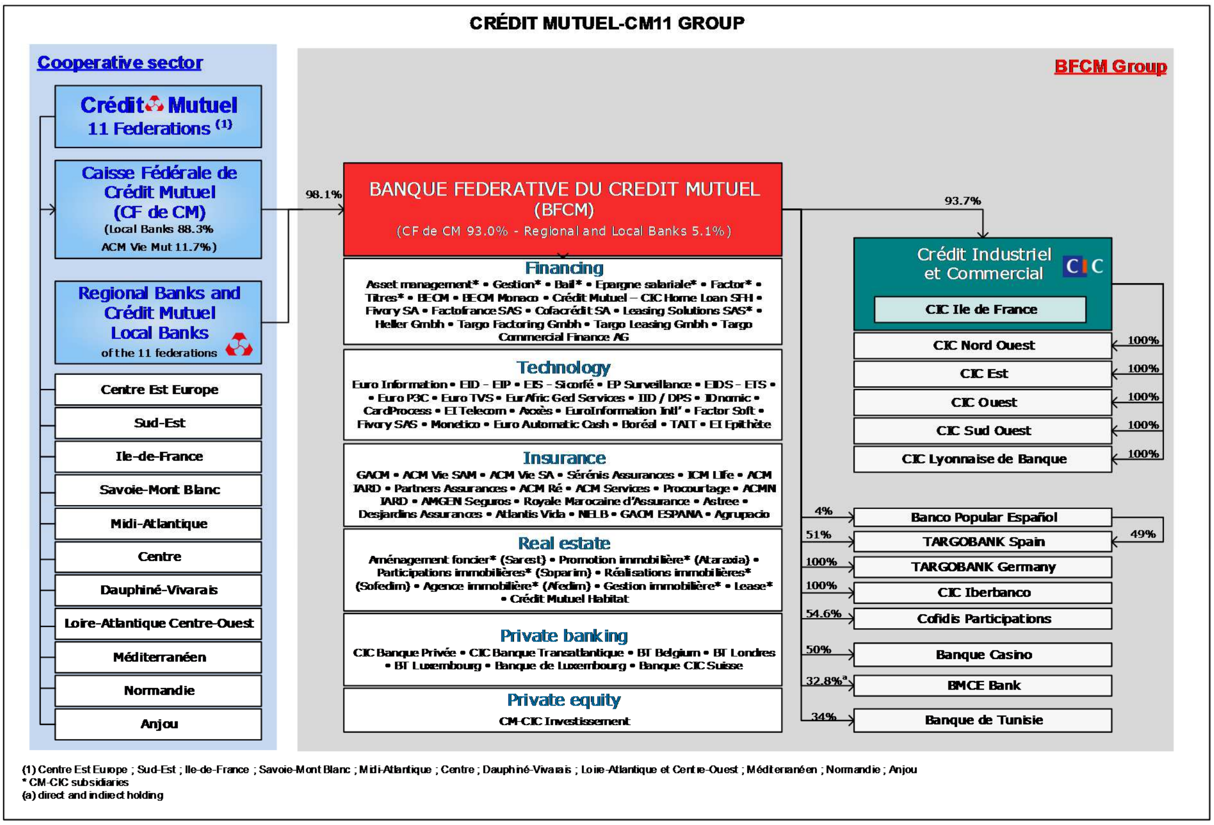
[1] The term "Group" as used hereinafter in this Registration Document is interchangeable with and has the same meaning as the "Crédit Mutuel-CM11 Group."

THE CRÉDIT MUTUEL-CM11 GROUP

Previously called the CM-CIC Group and then the CM11 Group.

The banking group that operates under the name Crédit Mutuel-CM11 Group (and also referred to as the "Group")[1] includes a mutual banking division (also called the regulatory scope or cooperative sector) and the BFCM Group (also called the "shareholder-owned division"), which are complementary and interconnected units. The mutual banking division is the controlling shareholder of the BFCM Group. In addition, Crédit Mutuel's local cooperative banks of the 11 federations are also a vital network for marketing the products and services of BFCM's specialized subsidiaries; these subsidiaries then pay commissions to the local cooperative banks in return for deal flow.

Presentation of the Crédit Mutuel-CM11 Group's organization



Some legal entities in the diagram above are included in the presentation of the business lines of the Crédit Mutuel-CM11 Group (see Section I.1.3 of this Registration Document) as they are active in the same business (Insurance, Private Banking and Private Equity). Other entities, such as BFCM and CIC, may be active in several business lines via specific departments (Capital Markets, Large Accounts, Specialized Financing, etc.).

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

Reconciliation of the Group's NBI with the BFCM Group's NBI as of 12/31/2016

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

	€ million
Crédit Mutuel-CMII group's NBI	**13,302**
Companies excluded from BFCM's consolidated scope	**-4,088**
of which the retail banking business line (cooperative organization ...)	*-2,889*
of which the insurance business line	*-70*
of which the logistics business line : IT subsidiaries	*-1,051*
of which the logistic business : other	*-78*
Consolidation adjustments	**616**
BFCM group's NBI	**9,830**

The mutual banking division (or "regulatory scope")

The mutual banking division consists of Crédit Mutuel's local cooperative banks, the Crédit Mutuel federations and Caisse Fédérale de Crédit Mutuel ("CF de CM").

The Crédit Mutuel "Caisses", or local cooperative banks

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

The federation and Caisse Fédérale de Crédit Mutuel

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

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

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

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

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

The BFCM Group

The BFCM Group consists of:

- BFCM, the parent company of the BFCM Group, which also carries out financing and capital markets activities;
- CIC, the parent company of the CIC Group and lead bank for the branch network, which is also a regional bank in the Ile-de-France region and carries out investment, financing and capital markets activities; and
- specialized institutions by business line in France and abroad.

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

CORPORATE GOVERNANCE WITHIN THE CRÉDIT MUTUEL-CM11 GROUP

The Crédit Mutuel-CM11 Group does not have a single deliberative body. The members of each Crédit Mutuel local cooperative bank elect a Board of Directors made up of volunteer members at a Shareholders' Meeting. From among these members, the local cooperative banks elect their representative to the District, a body that jointly represents a group of Crédit Mutuel's local cooperative banks. The Chairman of the District becomes a full member of the Board of Directors of the federation, the policy body for a given group of Crédit Mutuel's local cooperative banks. This organizational design enables the Chairpersons to become members of the Board of Directors of CF de CM and its subsidiary, BFCM.

In addition, internal control and anti-money-laundering and counter-terrorist financing policies are homogenous throughout the Group.

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

MUTUAL SUPPORT SYSTEM WITHIN THE CRÉDIT MUTUEL GROUP AND THE MUTUAL BANKING DIVISION OF THE CRÉDIT MUTUEL-CM11 GROUP

Crédit Mutuel's mutual support system is designed to continuously ensure the liquidity and solvency of all the entities affiliated to Confédération Nationale du Crédit Mutuel so as to avoid the collapse of any of its members (as required by Article L511-31 of the French Monetary and Financial Code). This system is based on a set of rules and mechanisms put in place at the regional and federative levels.

System at the regional group level

The mutual support system in place within the mutual banking division of the Group is a federal support mechanism pursuant to Article R.515-1 of the French Monetary and Financial Code and is independent of the statutory provisions relating to the limitation of joint liability of shareholding members to the nominal value of the shares they hold.

This article provides that the ACPR may, with respect to mutual and cooperative groups, issue a collective license to a local bank for itself and all of its affiliated local banks "when the liquidity and solvency of the local banks are guaranteed through this affiliation". The ACPR has deemed that the liquidity and solvency of the local banks are guaranteed through their affiliation with the Caisse Fédérale de Crédit Mutuel, and have issued a collective license to the Caisse Fédérale de Crédit Mutuel for itself and all of its affiliated local banks.

All of the local banks and Caisse Fédérale de Crédit Mutuel contribute to a mutual guarantee fund (*Fonds de Solidarité*). Their contributions are calculated based on their respective total assets and net banking income. The annual contributions are calculated such that the amount, when added to reimbursed subsidies, covers the needs of loss-making local banks. The results of the mutual guarantee fund are therefore in principle balanced. Loss-making local banks and those whose income is not sufficient to remunerate member shares receive an annual subsidy to enable them to pay such remuneration.

These subsidies are repayable upon such bank's return to a healthier financial position. In such cases, the local bank repays all or part of the subsidies previously received, upon to a limit allowing it to still pay dividends on class B member shares.

System at federative level

The Confédération Nationale du Crédit Mutuel is responsible in particular for ensuring the solidity of its network and the proper operation of its affiliated banks. It must take all necessary measures to this end, particularly ensuring the liquidity and solvency of each of its affiliated banks and that of the network as a whole (as required under Article L. 511-31 of the French Monetary and Financial Code).

The Board of Directors of Confédération Nationale du Crédit Mutuel may take any necessary measures if the systems in place at the level of the regional groups prove inadequate to deal with the difficulties encountered by a group.

CRÉDIT MUTUEL GROUP

The regional groups

The Crédit Mutuel Group is made up of 18 regional groups:

- 11 federations organized around the CF de CM: Centre Est Europe (Strasbourg), Ile-de-France (Paris), Sud-Est (Lyon), Savoie-Mont Blanc (Annecy), Midi-Atlantique (Toulouse), Loire-Atlantique et du Centre-Ouest (Nantes), Normandie (Caen), Centre (Orléans), Dauphiné-Vivarais (Valence), Méditerranéen (Marseille) and Anjou (Angers);
- 3 regional groups, which together make up the Caisse Interfédérale Arkéa: Bretagne (Brest), Massif Central (Clermont-Ferrand) and Sud-Ouest (Bordeaux);
- The regional group Antilles-Guyane (Fort de France);
- The regional group Maine-Anjou, Basse-Normandie (Laval);
- The regional group Nord Europe (Lille); and
- The regional group Océan (La Roche sur Yon).

Each regional group includes a Fédération Régionale (regional federation) and a "caisse fédérale" (federal bank). The latter may be interfederal, as is the case for the CF de CM and the interfederal Crédit Mutuel Arkéa.

The local cooperative banks and the federal bank, of which the local cooperative bank are the shareholders, are members of the regional federation.

Regional federations take responsibility for strategy and supervision, representing Crédit Mutuel in their regions. The federal bank performs financial functions such as liquidity management and provides technical and IT services. The regional federations and federal bank are governed by Boards of Directors elected by the local cooperative banks.

The Confédération Nationale du Crédit Mutuel and Caisse Centrale du Crédit Mutuel

The Confédération Nationale du Crédit Mutuel or the "CNCM" is the central body of the network from the perspective of the French Monetary and Financial Code. The 18 federations and the Caisse Centrale du Crédit Mutuel are affiliated with the CNCM. During the year 2016, the CNCM took a number of measures to change its operation and governance in line with the request of the European Central Bank (ECB), its supervisor: amendments to the status, mainly concerning issues of governance (Board of Directors, Chief Operating, sanctions), clarification of the national solidarity mechanism, preparation of a guidance document on the organization of internal audit.

The CNCM represents Crédit Mutuel before the public authorities. It aims to protect and promote of its interests. Responsible for the proper functioning of the institutions affiliated to it, it is responsible for the coherence of the prudential supervision of the regional groups. As the guarantor of the network's cohesion, it defends and promotes the Crédit Mutuel brand.

The Caisse Centrale du Crédit Mutuel (CCCM), a national financial body in the form of a credit institution organizes Crédit Mutuel's mutual financial support mechanism. Its share capital is owned by the federal banks.

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I. PRESENTATION of CRÉDIT MUTUEL-CM11 GROUP and BFCM GROUP

I.1 - Crédit Mutuel-CM11 Group and BFCM Group

Together, the mutual banking division and the BFCM Group make up the Crédit Mutuel-CM11 Group.

- The mutual banking division consists of (i) the 11 federations Crédit Mutuel Centre Est Europe, Crédit Mutuel Sud-Est, Crédit Mutuel Ile-de-France, Crédit Mutuel Savoie-Mont Blanc, Crédit Mutuel Midi-Atlantique, Crédit Mutuel Centre, Crédit Mutuel Dauphiné-Vivarais, Crédit Mutuel Loire-Atlantique et Centre-Ouest, Crédit Mutuel Méditerranéen, Crédit Mutuel Normandie and Crédit Mutuel Anjou; (ii) the Caisses de Crédit Mutuel, which are members of their respective federations; and (iii) Caisse Fédérale de Crédit Mutuel (CF de CM). The mutual banking division owns approximately 99% of BFCM.
- The BFCM Group includes:
  - BFCM, which owns a 93.7% equity interest in CIC and also performs financing and capital markets activities;
  - CIC, parent company of and network bank for the CIC Group, and also a regional bank in Ile-de-France and carries out investment, financing and capital markets activities; and
  - specialized institutions by business line in France and abroad.

As of December 31, 2016, the Crédit Mutuel-CM11 Group had 23.8 million customers, 4,587 points of sale and 69,514 employees.

I.1.1 - The mutual banking division

The *Caisses de Crédit Mutuel* (the “CCM”), which are local cooperative banks, are the lowest-level units of the banking network of the mutual banking division, also known as the Crédit Mutuel-CM11 banking network. The local cooperative banks, under the control of their respective shareholding members, are registered as either variable capital credit cooperative companies with limited liability or as cooperative associations with limited liability. Each local cooperative bank operates independently and provides local banking services.

The federations, entities with the status of associations and in which membership is compulsory for the local cooperative banks, are the policy-making bodies that set the Group’s strategic direction and foster cohesiveness among the local cooperative banks.

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

After initially serving the *Caisses* of the Crédit Mutuel Centre Est Europe (CMCEE) federation, Caisse Fédérale de Crédit Mutuel has, through partnership agreements signed between 1993 and 2012, put its logistical and financial support resources to work on behalf of the local cooperative banks from 10 other federations. The collective banking license for the successive new entities was granted by the French Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d’investissement*, CECEI).

The Crédit Mutuel-CM11 banking network now comprises 1,380 local cooperative banks, 2,001 points of sale and 6.9 million customers (including almost 5 million shareholding members), in 83 French departments with a combined population of more than 43 million.

The 11 federations, the local cooperative banks (which are members of their respective federations) and CF de CM together make up the mutual banking division. CF de CM, and the Crédit Mutuel local and regional cooperative banks of the 11 federations control BFCM, owning 93% and 5.1%, respectively, of the BFCM’s share capital.

I.1.2 - BFCM Group

The current configuration of the BFCM Group is the result of restructuring operations carried out in 1992. The restructuring was intended to clarify the functions performed by the BFCM Group's various entities by distinguishing the cooperative activities of BFCM's parent entities, being the local cooperative banks, CF de CM and the 11 federations, from the diversified operations of BFCM.

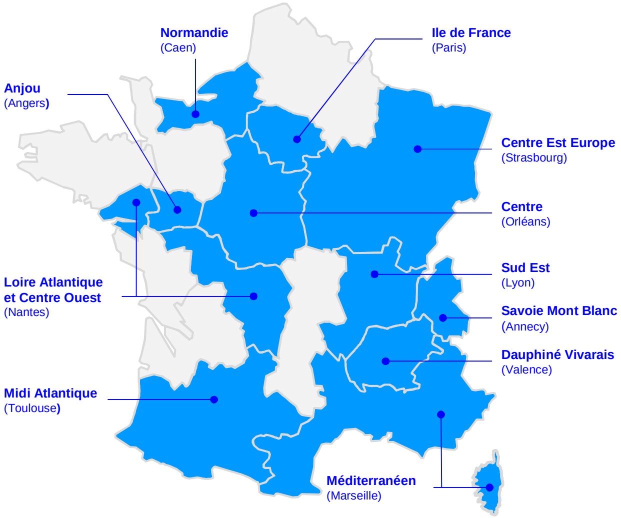
BFCM owns and coordinates the activities of its subsidiaries within the BFCM Group. These subsidiaries are active in finance, insurance, electronic banking and information technology. BFCM performs the central refinancing functions of the Crédit Mutuel-CM11 Group. It is responsible for financial relations with large corporates and local authorities through its payment processing, lending and financial engineering activities. BFCM also acts as custodian for investment funds.

BFCM owns:

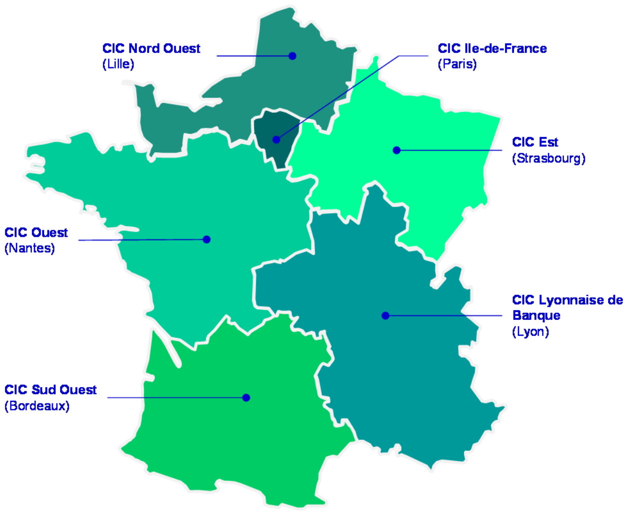
- 93.7% of CIC;
- 52.8% of Groupe des Assurances du Crédit Mutuel (GACM SA), which in particular controls ACM IARD SA and ACM Vie SA and designs and manages insurance product lines in the property and casualty, liability, personal and life insurance segments; and
- various institutions specialized by business line, both in France and abroad (including Banque Européenne du Crédit Mutuel, Cofidis Group, Targobank Germany, CM-CIC Asset Management, CM-CIC Factor, etc.).

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

<u>The 11 Crédit Mutuel federations in the mutual banking division</u>



<u>The regional banks of CIC</u>



The Crédit Mutuel-CM11 Group’s main geographic locations

LONDON, NEW YORK, SINGAPORE and HONG-KONG
- CIC branches • Banque Transatlantique London

SPAIN
- TARGOBANK Spain
- Banco Popular Español
- Cofidis Spain
- CM-CIC Bail Spain
- GACM España (Insurances): AMGEN, Agrupacio AMCI, Atlantis Seguros)
- TAIT España

PORTUGAL
- Cofidis Portugal
- Margem

POLAND
- Cofidis Poland

ITALY
- Cofidis Italy

MOROCCO
- Banque Marocaine du Commerce Extérieur (BMCE)
- Royale marocaine d’assurance
- EurAfric Information

TUNISIA
- Banque de Tunisie
- ASTREE (Insurances)
- Information International Developments (IID)
- Direct Phone Services

ANTILLES-GUYANE
- Specific cooperation

GERMANY
- BECM Francfort, Düsseldorf, Stuttgart and Hambourg
- CM-CIC Leasing Gmbh
- TARGOBANK Germany
- Targo Factoring – Targo Leasing – Targo Commercial Finance

BELGIUM
- CM-CIC Leasing Benelux
- Banque Transatlantique Belgium
- Partners (Assurances)
- Cofidis Belgium
- North Europe Life Belgium

LUXEMBOURG
- Banque de Luxembourg
- Banque Transatlantique Luxembourg
- ICM Life (Insurances
- ACM ré (Insurances)

SWITZERLAND
- CIC Suisse

CZECH Republic
- Cofidis Czech Republic

SLOVAKIA
- Cofidis Slovakia

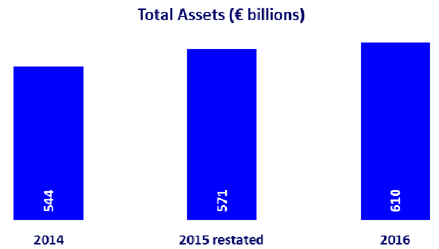
HUNGARY
- Cofidis Hungary

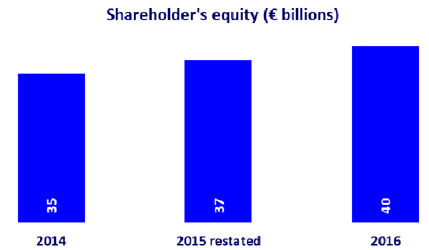
CANADA
- Desjardins Assurances
- Monetico

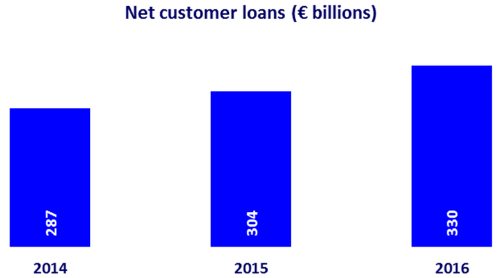
I.2 - Key figures – Solvency ratio and ratings (Crédit Mutuel-CM11 Group)

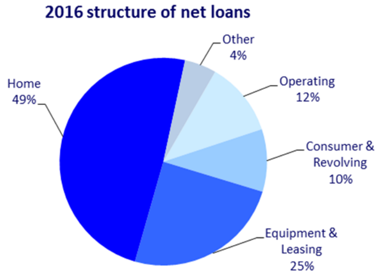
	2016	2015 restated	2014
Net banking income	**13,302**	12,845	11,973
Operating income	**4,273**	4,135	3,555
Net income	**2,624**	2,510	2,415
Net income attributable to the group	**2,410**	2,254	2,179
Cost-to-income ratio[1]	**62%**	62%	63%

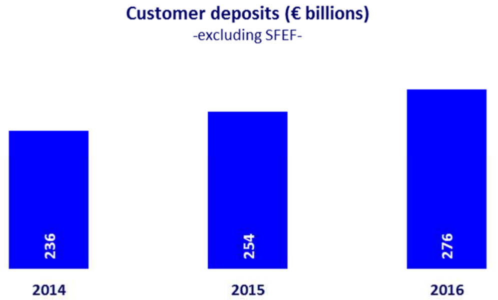
(1) Ratio of overheads to net banking income

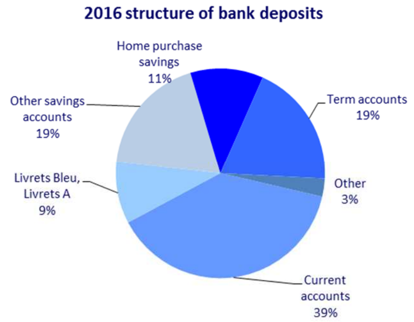


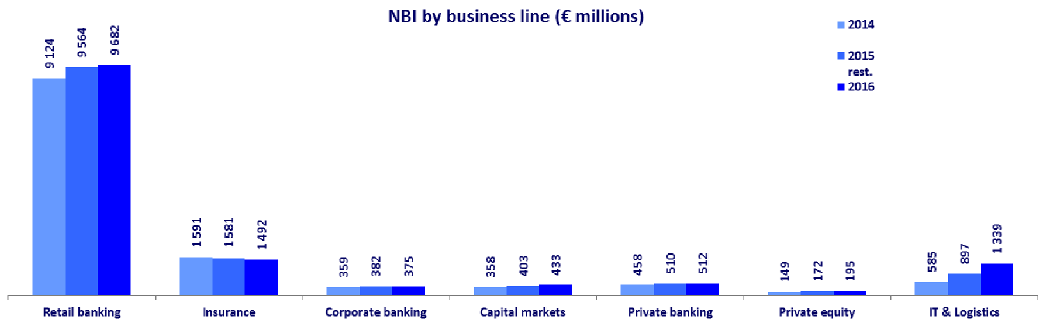






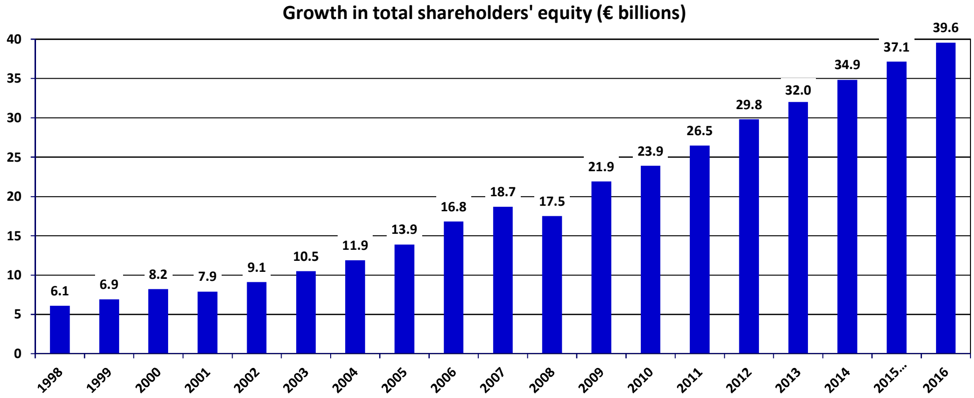






Crédit Mutuel-CM11 Group European solvency ratio

As of December 31, 2016, the Crédit Mutuel-CM11 Group had reported shareholders' equity of €39.6 billion vs €37.1 billion as of December 31, 2015 as a result of the appropriation of net income.



The Common Equity Tier 1 (CET1) ratio was 15.0%[1] at end-2016 and the overall capital adequacy ratio[1] was 18.0%, up 10 basis points over one year. These levels are significantly higher than the European Central Bank's requirements established at the time of the 2017 Supervisory Review and Evaluation Process. In fact, the CET1 capital requirement with which the group must comply on a consolidated basis was set at 7.25% in 2017 and the requirement related to the overall ratio at 9.50%, plus the conservation buffer of 1.25%. The amount in excess of the SREP requirements is therefore 775 basis points for CET1 and 725 for the overall ratio.

CET1 capital[1], which was €31.1 billion at end-2016, increased by 6.9% and weighted risks, at €207.1 billion, rose by 7.6% over one year.

The leverage ratio[1] was 5.7%.

Rating

The Crédit Mutuel-CM11 Group's ratings at the end of 2016 are shown in the following table. They compare favorably to those of other French and European companies.

	Standard & Poor's	Moody's	Fitch Ratings
Long-term rating	A	Aa3	A+
Short-term	A-1	P-1	F1
Outlook	*Stable*	*Stable*	*Stable*

During the year, Standard & Poor's, Moody's and Fitch confirmed the Crédit Mutuel-CM11 Group's short-term and long-term ratings[2].

Standard & Poor's upgraded the outlook from negative to stable in October 2016.

The main factors cited by the agencies to justify the group's stability and ratings are as follows:

- solid capitalization,
- a strong ability to generate capital internally,
- a robust bankinsurance model in France,
- the low risk profile of its activities.

1 *Excluding transitional measures*

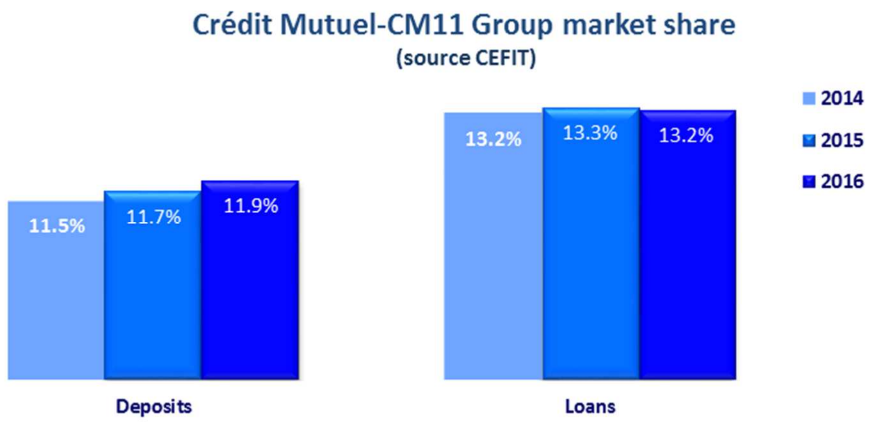
2 *Standard & Poor's: ratings for the Crédit Mutuel Group; Moody's and Fitch: ratings for the Crédit Mutuel-CM11 Group*

I.3 - Crédit Mutuel-CM11 Group organization and business lines

Through the 11 federations that control it, the Group is a member of the Confédération Nationale du Crédit Mutuel, the central body whose mission is to represent the Group before public authorities, promote and defend its interests and exercise control over the federations.

The competitive positioning[3] is analyzed at the level of the Crédit Mutuel Group as a whole, whose retail banking and insurance business lines make it a major retail banking and insurance player in France. The Crédit Mutuel Group has a 17.1% market share for bank loans and a 15.5% market share for deposits.

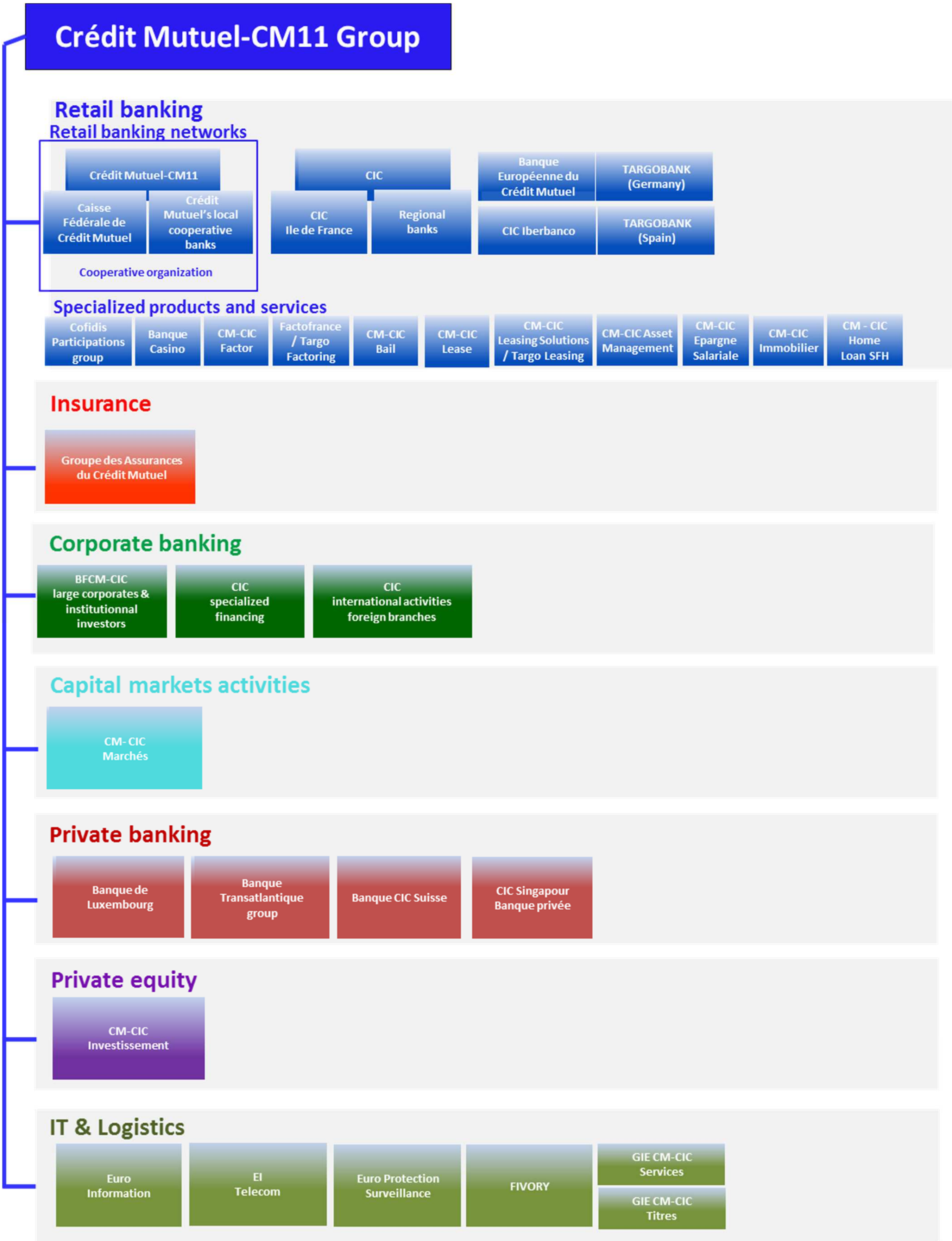
The Group's market share for deposits and bank loans are respectively 11.9% (+0.2 pt) and 13.2% (-0.1 pt).



The Crédit Mutuel-CM11 Group did not market any new products or carry out any new activities in 2016.

[3] The sources of the rankings are explicitly stated; otherwise the information is based on internal sources.
CEFIT: Centralisations Financières Territoriales – Banque de France.

I.3.1 – Presentation of the business lines of the Crédit Mutuel-CM11 Group



I.3.2 - The Crédit Mutuel-CM11 Group's business lines, main subsidiaries and activities

Retail banking, the Crédit Mutuel-CM11 Group's core business

Retail banking is the Credit Mutuel-CM11 Group's core business and represents 69% of its net banking income. It includes the local Crédit Mutuel banks, the CIC banking network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, the Targobank branches in Germany and Spain, Cofidis Participations, Banque Casino and all the specialized activities whose products are marketed by the networks, such as insurance brokerage, equipment leasing and leasing with purchase option, real estate leasing, factoring, fund management, employee savings, telephonic, remote surveillance and real estate sales.

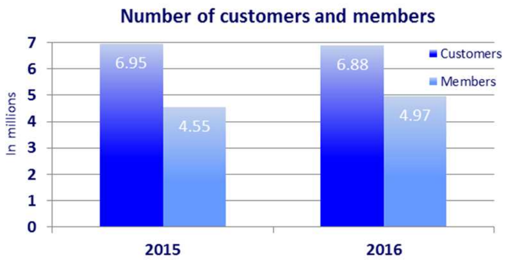
Inflows were strong across all entities. Customer deposits grew significantly for the second straight year: +8.6% to €276.2 billion compared with +7.9% in 2015. Outstanding customer loans (€330.0 billion) rose by €25.8 billion.

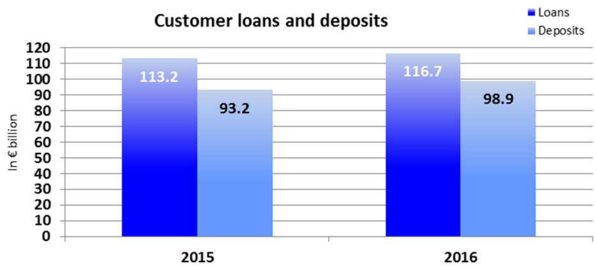
The Crédit Mutuel-CM11 Group retail banking networks

Crédit Mutuel-CM11 banking network

The Crédit Mutuel-CM11 banking network, also called the regulatory scope, continued to develop its customer base, which has now reached 6.9 million customers, 6.1 million of whom are private individuals.

The number of customers who are shareholding members of their local Crédit Mutuel bank is now nearly 5 million. This means that over 87% of customers are able to actively participate in the decisions affecting their local mutual bank, particularly at shareholders' meetings.



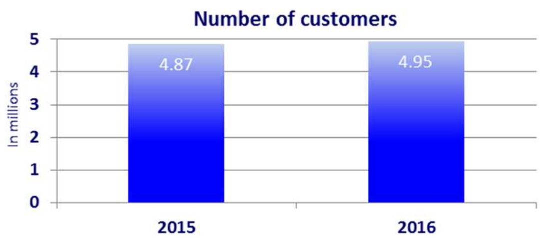


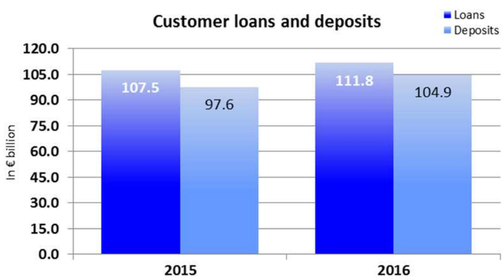
With €116.7 billion in outstandings at end-2016, customers loans grew by 3.0% (up €3.4 billion). Outstanding housing loans rose by 3.6% to €88.6 billion and outstanding consumer loans increased by 3.7%, passing the six billion euro mark (€6.2 billion).

Customer deposits rose more rapidly than in 2015, increasing by €5.7 billion (+6.1%) to €98.9 billion. New deposits stemmed mainly from current accounts with credit balances (€3.3 billion), home purchase savings (€1.8 billion) and passbook accounts (€1.7 billion). In addition, with a rate that has held steady at 0.75% since August 2015, there was again an inflow of funds to Livret Bleu accounts (€440 million).

CIC banking network

The banking network is CIC's core business. At December 31, 2016, it consisted of 1,982 branches, including those of CIC's network in Ile-de-France and the five regional banks (CIC Lyonnaise de Banque, CIC Est, CIC Nord Ouest, CIC Ouest and CIC Sud Ouest) and had nearly 5 million customers (4,954,000), a 1.8% increase over one year.





Outstanding customer loans grew by 4% to €111.8 billion. The increase in outstanding loans was driven by a rise in housing loans (up €2.3 billion, i.e. +3.7%, to €66.2 billion). Consumer credit, which totaled €5.2 billion, also increased by 5.3% over one year.

At €104.9 billion, customer deposits again rose significantly (up €7.4 billion or +7.5%), driven by current accounts (up €8.2 billion) which benefited from the low interest rates on savings accounts. However, inflows to home savings stood at €1.1 billion and those to passbook accounts (including Livret A accounts) at €1.6 billion.

Banque Européenne du Crédit Mutuel (BECM)

BECM conducts its business nationally and in Germany, where it expanded its coverage in 2016 with the opening of a "large corporates" branch and a "real estate" branch in Frankfurt.

BECM's areas of expertise cover:

- large and mid-sized corporates;
- the financing of real estate development and real estate investors in France, primarily in the housing sector,
- real estate companies specializing in the management of leased commercial properties and office space, in France and Germany,
- flow management for large accounts in the retail, transportation and services sectors.

BECM operates in the corporate and real estate markets in each region and with appropriate levels of intervention. It works in tandem with the CIC regional banks and on a subsidiarity basis relative to the Crédit Mutuel-CM11 regional banking network.

In Germany, the BECM is focusing its development on major German corporate customers and relationships with the parent companies of the Franco-German subsidiaries. It provides its knowledge of the local German markets and puts its expertise at the service of its domestic network and that of the Group's other banking entities.

BECM also distributes the products and services of the Group's other subsidiaries and business centers in all areas related to the corporate and real estate markets.

With a workforce of 408 people, BECM has a network of 50 branches, including 37 dedicated to the local corporate market and 13 specialized in real estate financing.

Growth in on-balance sheet loans remained steady, rising by 8.4% to €12.4 billion.

Customer deposits rose by 22.2% to €13 billion, with a high intake in Germany underpinned by the Group's recognized financial soundness. The loans-to-deposits ratio was 95.4%.

CIC Iberbanco

With 166 employees (the vast majority of whom are bilingual or even trilingual) working at 35 branches in France, CIC Iberbanco attracted over 9,300 new customers in 2016, up 12% compared with 2015. Over one year, savings deposits increased by 10.5% to €662 million and outstanding loans by 27% to €772 million. Insurance (+26% with 38,200 policies) and telephone services (+10% with 5,403 subscribers) also attest to CIC Iberbanco's strength.

CIC Iberbanco continued to implement its development plan with the opening of new branches. After Versailles on October 1, 2016, two new branches are planned for the first half of 2017 in Île-de-France.

Targobank Germany

The year 2016 saw the launch of a new medium-term plan – "Targobank 2020" – which includes a series of initiatives designed to strengthen the bank's long-time activities, diversify revenue sources and further optimize productivity by controlling costs.

These initiatives resulted in a significant improvement in Targobank Germany's market share in the consumer credit market (+5% compared with 2015). Personal loan production rose by more than €500 million (+19% to €3.2 billion) compared with 2015.

At December 31, 2016, outstanding loans totaled €12.1 billion, a 7.3% increase from December 31, 2015.

Growth was particularly strong in the distance selling channels – telephone and Internet – with online loan production up by 44% and telephone loan production by 63%. There was also a significant increase in the physical channels (+15%). The bank continued to develop its points of sale strategically, while at the same time taking steps to streamline its network (consolidation and relocation of branches, adjustment of areas).

Customer deposits also continued to grow and support the development of the loan portfolio. Outstanding customer loans totaled €13.3 billion at December 31, 2016, up by more than €1 billion compared with end-2015.

Savings increased by €439 million to €10.6 billion at December 31, 2016, bolstered by the launch of a new price offering, "Plus-Depot", which makes the bank's wealth management activity less dependent on the health of the financial markets.

Targobank Spain

An all-purpose bank owned 51% by BFCM and 49% by Banco Popular Español, Targobank Spain has 125 branches located in Spain’s main centers of economic activity and nearly 135,000 customers, most of whom are private individuals. The volume of customer loans stood at €2.1 billion at end-2016 and customer deposits totaled nearly €2 billion, up 4.3% over one year.

In 2016, BFCM acquired a controlling interest in the subsidiary (from 50% to 51% of the share capital), which included a change in management.

Ancillary businesses to retail banking

These comprise the specialized subsidiaries that market their products through their own channels and/or through the Crédit Mutuel-CM11 Group’s local mutual banks and branches: consumer credit, factoring and receivables management, leasing, fund management and employee savings.

Consumer credit - Cofidis Participations Group

The Cofidis Participations Group, which is jointly held with Argosyn (formerly 3SI), 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).

It has three brands specializing in the sale of financial products and services:

- Cofidis, a European online credit and auto loan specialist based in France, Belgium, Italy, Spain, Portugal, Czech Republic, Hungary, Slovakia and Poland;
- Monabanq, an online bank; and
- Créatis, a loan consolidation specialist.

Financing rose by 15% compared with 2015, with a significant increase both in France and internationally and growth in Belgium, Spain, Portugal, Italy and Central Europe.

The Cofidis Group's outstanding customer loans totaled €10.1 billion at the end of 2016.

Factoring and receivables management

Factoring in France is now handled by CM-CIC Factor, the Crédit Mutuel-CM11 Group's long-time business center for receivables financing and management, and Factofrance and Cofacrédit, two companies acquired from General Electric Capital in July 2016.

At December 31, 2016, the new Group represents one-fourth of the French market with:

- approximately €66.4 billion in purchased receivables (€61.4 billion in 2015, up 8%);
- €13.3 billion in export revenues (€12.4 billion in 2015, up 7%);
- gross outstandings at year-end of €9.8 billion (relatively the same as in the previous year).

Finance leases

CM-CIC Bail and CM-CIC Leasing Solutions

In a favorable yet still uncertain environment, CM-CIC Bail continued to grow at a steady pace. For the first time, new business exceeded the €4 billion mark, increasing by 8.3% compared with 2015 to €4.1

billion. A total of 114,206 leases were arranged to meet the investment needs of companies, self-employed and independent professionals and private individuals.

In France, the Crédit Mutuel and CIC networks alone recorded a significant increase in new business (up 15.9%), particularly in capital equipment financing. Nearly 24% of business was generated abroad by our Benelux and German subsidiaries and our branch in Spain.

The year 2016 was marked by:

- continued growth in all our activities;
- the increase in auto lease financing for individuals;
- the development of international business; and
- the use of customer satisfaction surveys as part of our quality approach.

CM-CIC Leasing Solutions, which resulted from the acquisition of the activities of GE Capital in France by BFCM on July 20, 2016, specializes in business equipment financing. CM-CIC Leasing Solutions operates primarily via a partner network to provide finance leases, financial leases and operating leases in the office equipment, computer equipment, vehicles and hoisting equipment, medical equipment and production equipment markets.

In a growing equipment lease financing market for businesses and professionals, throughout 2016 the company arranged 35,510 equipment leases for a total of €778 million, a 2% annual increase. Since the acquisition, €351 million in financing has been provided.

Although most of the existing leases are still used to finance office and computer equipment, the company has developed its business significantly in the building and public works, materials handling, transport and IT markets.

In 2016, CM-CIC Leasing Solutions also bolstered its digital transformation strategy by introducing an e-signature solution for customer contracts.

CM-CIC Lease

In 2016, new real estate lease financing agreements on behalf of customers of the Group's networks totaled nearly €629 million, up 4% compared to the previous year, as a result of 289 new transactions.

Real estate leasing is suitable for many projects and business sectors and an appropriate means of long-term financing for companies. CM-CIC Lease's total financial and off-balance sheet outstandings increased by 4% during the year, the same rate as in 2015, to €4.4 billion.

As in the previous year, activity was diversified with a high proportion of financing of logistics site projects (28.5% of new business in terms of volume, +0.9 points) and commercial properties (19.9% of new business, -2.4 points). New leases on office buildings and industrial sites accounted for 15.2% (-0.4 points) and 15.3% (+1.5 points) of new business, respectively.

The breakdown of outstandings remained mostly unchanged but is coming into balance. The proportion of logistics sites and warehouses remained stable at 20.1% of outstandings, commercial properties accounted for 23.7% (-1.6 points) and industrial sites 21.7% (+0.2 points). The remaining existing leases covered a range of sectors, including office buildings (15.9%), healthcare facilities (8.4%), hotels (7.8%) and other facilities (2.4%).

Fund management and employee savings

CM-CIC Asset Management (CM-CIC AM)

In 2016, CM-CIC AM, the business center for the Crédit Mutuel Group's asset management and France's fifth largest asset manager, recorded 3.1% growth in assets under management in the French market, from €61.8 billion to €63.7 billion, with a 5.50% market share[4].

This increase was mainly due to additional net inflows of €1.112 billion in bond assets, excluding FCPE company mutual funds. With negative short-term interest rates, the Group's cash funds, among the

[4] *Source Six Financial Information France.*

highest rated in the market[5] at December 31, 2016 (first quartile for Union Cash and Union Plus at December 31, 2016), posted positive performance in 2016.

As for equity mutual funds, CM-CIC Asset Management's performance was in line with the stock market, which was marked by high volatility both economically and politically (Brexit, election in the United States, etc.). However, the relative portion of the equity mutual fund assets remained stable at more than€8 billion.

In 2016, CM-CIC Asset Management endeavored to help the networks plan for the future and take advantage of opportunities. To address the major issue of transferring the Assurances du Crédit Mutuel euro funds to unit-linked policies, the growth fund called CM-CIC Europe Growth was approved for the "pack UC" discretionary management product marketed since September.

In addition, several successive formula-based fund campaigns were launched, generating a total inflow of more than €254 million. The year 2016 also saw the marketing development of the "Flexigestion" flexible management products. This product line, which includes three investment solutions, brought in nearly €140 million.

A fund called CM-CIC Silver Économie was added to the Europe themed range. This fund is invested in securities that keep pace with the aging of the population.

In 2016, the quality of CM-CIC AM's management was recognized by the "Le Revenu" and "Mieux Vivre Votre Argent" financial magazines:

Trophée d'Or for best range of three-year diversified funds

Trophée d'Or for best 10-year euro bond fund

(Performance as of March 31, 2016. Source Morningstar)

Corbeille d'Or for best range of five-year diversified funds *(performance as of June 30, 2016. Source: Six Financial Information France).*

For the second straight year, the Performance Label was awarded to the CM-CIC Dynamique International, CM-CIC Europe Growth and CM-CIC Entrepreneurs funds *(five-year performance as of December 31, 2015. Source: Six Financial Information France)*

Under invitations to tender, a total of €1.407 billion was collected in 2016, thanks to a larger team that is the single point of entry for the Group, in partnership with the Group's large accounts division and in collaboration with CM-CIC Épargne Salariale.

In 2016, international development continued with the marketing of the two CM-CIC Protective 90 and CM-CIC Europe Growth funds through Targobank Germany. These funds will also be marketed in 2017 through Targobank Spain.

The year ended with the redesign of the discretionary portfolio management service offered by the Group's portfolio management company, CM-CIC Gestion, which operates through the CIC, CIC Private Banking and Crédit Mutuel networks.

CM-CIC Gestion's managed assets increased by more than €10.3 billion (up 5%) at end-December.

Lastly, CM-CIC AM continued to develop its role as a mutual fund accounting services provider. Its activity further increased with the valuation of 1,143 internal and external portfolios (including 428 for 79 third-party asset management companies).

CM-CIC Epargne Salariale

At year-end 2016, CM-CIC Épargne Salariale, the Group's employee savings business center, had:

- €7.809 billion in managed savings (+3.1%);
- 81,118 corporate customers (+7.0%);
- 1,335,409 employees' savings under management (+1.8%).

[5] *Source Europerformance.*

The increase in savings was due to net inflows (+€119.5 million) and the valuation of savings (€+72.6 million).

The year 2016 was characterized by a significant increase in new business:

- 2016 inflows rose by 11.5%, i.e. €1.089 billion, compared to 2015,
- sales of contracts were up 25.5%, with 11,820 new contracts,
- payments on new contracts totaled €130.3 million (+4.4%).

Total outflows of €970 million, (+14.8%) were due in part to the deposit of €70.4 million with the Caisse des Dépôts pursuant to the Eckert Law.

Other

Real Estate - CM-CIC Immobilier

The CM-CIC Immobilier subsidiary develops building plots and housing units through CM-CIC Aménagement Foncier, ATARAXIA Promotion and CM-CIC Réalisations Immobilières (SOFEDIM). It sells new housing units through CM-CIC Agence Immobilière (AFEDIM) and manages housing units on behalf of investors through CM-CIC Gestion Immobilière. It also participates in financing rounds related to real estate development transactions through CM-CIC Participations Immobilières.

Concerning new property sales, CM-CIC Agence Immobilière had a net number of 8,804 housing units in contract in 2016, up 34% from 2015 (+2,220); CM-CIC Gestion Immobilière had a total of 4,540 leases (+14%); and CM-CIC Aménagement Foncier recorded 1,110 building lots in contract (+17%). In terms of development, ATARAXIA Promotion had 403 housing units in contract in 2016 compared with 439 in 2015.

Crédit Mutuel-CIC Home Loan SFH

Moderate use was made of Crédit Mutuel-CIC Home Loan SFH in 2016, with a single issue of €1.5 billion for 6.5 years completed in February.

The slight reduction in the Crédit Mutuel-CM11 Group's medium- and long-term refinancing needs in 2016 and the ECB's strong presence in this asset class which at times restricted this market were the main reasons for this low level of activity.

Crédit Mutuel-CIC Home Loan SFH nevertheless accounted for 15% of the resources raised by the Group on the financial markets in the form of public issues and, through its operations, will of course continue to secure the 2017 issue program.

Insurance, the Group's second business line

Crédit Mutuel created and developed "bankinsurance" starting in 1971. This longstanding experience has enabled the activity, carried out through Groupe des Assurances du Crédit Mutuel (GACM), to be fully integrated into the Crédit-Mutuel-CM11 Group at both the sales and technical levels.

GACM covers 10.3 million holders (+3.3%) totaling 28.6 million policies.

The Crédit Mutuel-CM11 Group's insurance business continued to grow in 2016, with revenues up 2.3% to €10.8 billion.

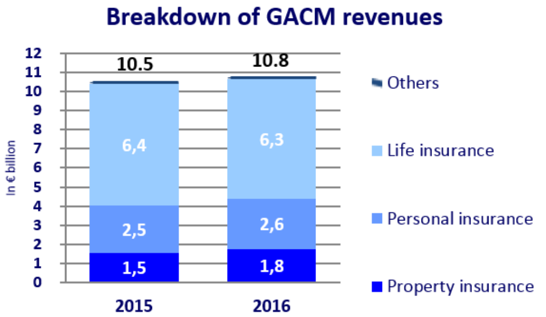
Reflecting market trends, in life insurance and insurance-based savings products gross premium income fell by 1.1% to €6.3 billion (-0.6% for the market). Net premium income was down by 16.7% (market -28.6%). This decrease reflects the current low interest rate environment which encourages insurance companies to limit inflows from funds in euros and promote more unit-linked (UL) policies. For GACM, the share of UL policies in gross inflows increased to 12.7% in 2016 compared to 9.0% in 2015.

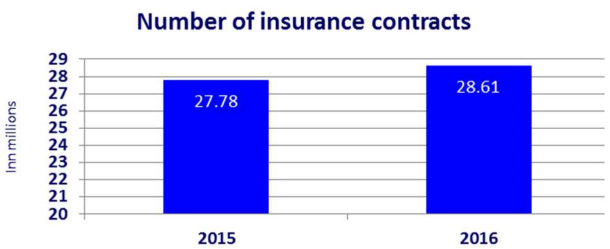
Property and casualty insurance revenue rose by 4.6%, outperforming the market (+1.5%). 2016 was a record year in terms of new auto and homeowners insurance policies, with 435,000 and 351,000 policies sold, respectively. The self-employed professionals market also recorded steady growth.

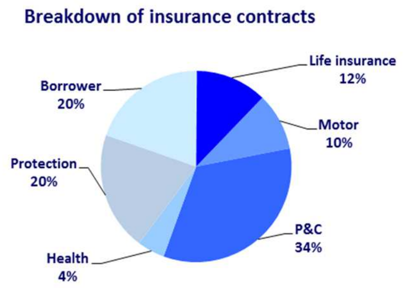
One year after it took effect, the rollout of universal supplementary health insurance, initiated by the ANI (*Accord National Interprofessionnel* - national multi-sector agreement), led to a shift in the health insurance market from individual policies to group policies taken out by companies. In this context, the Crédit Mutuel and CIC networks achieved the group policy sales targets. However, the increase in enrollment rates and the provision of coverage to employees must continue. Some employees remain enrolled in their individual policy, which demonstrates the slight decrease in the individual health insurance portfolio (-0.8%).

Personal protection insurance increased significantly in 2016, with 223,800 policies sold, i.e. 20.5% more new business than in 2015.

In total, personal insurance revenues stood at €2.6 billion, up 4.0%.







Lastly, the Spanish market, GACM's second-largest market, accounted for 3.7% of insurance revenues in 2016, with €394 million in written premiums.

Corporate banking

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

It therefore manages €16.3 billion in loans (+14.9%) and €5.1 billion in deposits (-18.1%).

Large accounts: corporates and institutional investors

In a fragile economic environment, the total amount of commitments of the Large Accounts division remained stable in 2016. Overall exposure (excluding guarantees received) rose from €18.5 billion to €18.6 billion (+0.3%). On-balance sheet outstandings increased significantly at year-end by 28% (€4.6 billion compared to €3.6 billion at end-2015). Off-balance sheet guarantees (sureties and risk participations) decreased by 14.4% (€4.8 billion versus €5.6 billion). Off-balance sheet financing (undrawn committed lines) contracted slightly by 1.6% (€9.2 billion versus €9.4 billion).

As indicated in the medium-term plan, the development of commercial activity was a priority. The risk selection policy was maintained, as was the drive for reduced concentration of commitments by means of greater sector diversification.

Net provision allocations/reversals for loan losses were contained with a net addition of €10.3 million for the year. The quality of the portfolio remained strong, with 87.7% of commitments classified as investment grade.

The negative interest rate environment impacted the average margin level.

At the end of 2016, deposits stood at €4.8 billion (compared to €6 billion a year earlier), including €3.9 billion in sight deposits. Added to that at year-end were €0.3 billion in negotiable debt securities and €9.3 billion in money market funds (versus €11.8 billion a year earlier), excluding UCITS not in custody (€8.3 billion).

CIC was involved in 27 loan syndications (compared to 28 in 2015), more than 70% of which were related to refinancing (extension of the final maturity, change or no change in the loan amount, revision of the terms, usually downward to follow market trends).

Payment processing volumes increased by 8.6% from €246 billion to €267 billion, including 67% on behalf of institutional investors. Of the 25 tenders carried out, eight were successful. As part of the formalization of the large accounts business line within the Group, staffing levels were increased and the training plan was scaled up at the national level.

The IT projects aimed at improving the business monitoring and profitability measurement tools continued in an effort to oversee and coordinate the work of the various sales teams more effectively.

Specialized financing

The trends observed in previous years continued. All the stakeholders operate in the same markets (banks, investment funds, capital markets, institutional investors). The available assets are insufficient to absorb this excess liquidity, which led to pressures on return on operations and on structures.

Despite this ultra-competitive environment, 2016 was a good year in terms of business performance and earnings. At December 31, 2016, total commitments rose by more than 8% as a result of the combination of strong sales activity and the appreciation of the US dollar against the euro.

Acquisition financing

The Group supports its clients in their plans for business transfers and external growth and development by offering its expertise and know-how in structuring the most appropriate financing for each type of transaction.

At the sales and marketing level, business was buoyant, particularly in the small and mid-caps segment. Close attention was paid to the risk/return ratio on new business transactions. This cautious approach was reflected in a high-quality portfolio with a less risky profile.

With the increased liquidity in the market, the impact of the fall in margins and pressure on structures was felt both in France and at the bank's foreign branches.

Development of the third-party management business via our CM-CIC Private Debt subsidiary[6] continued with the investment of 100% of the first private debt fund and of the third mezzanine fund. As a result, in 2016 the dedicated management team successfully raised its fourth mezzanine debt fund and its fourth senior debt fund simultaneously.

Asset financing

New business remained satisfactory in 2016 for the "asset finance and securitization" business line despite a still unfavorable environment and outlook for certain business sectors, including shipping, particularly for the transport of dry bulk cargo and containers, and offshore oil, which continued to be impacted by a further decrease in exploration-production investments related to persistently low crude prices. A total of 42 transactions were added to the portfolio in 2016.

Business continued to grow thanks to a prudent investment policy and support for our long-time customers, as well as the acquisition of new customers, particularly in Singapore. Against this backdrop, aviation was again the main contributor to the division's new business.

The Paris and Singapore desks were particularly active, thanks in particular to the aviation sector in Paris and the energy and shipping sectors in Singapore bolstered by a geographically more favorable market environment and the acquisition of new customers. Activity was down at the New York desk as a result of particularly difficult conditions in the oil services and shipping sector. Optimized financing transactions once again made a significant contribution to the department's results.

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[6] *Subsidiary not consolidated for accounting purposes*

Project financing

In a highly competitive environment, the year was very active for the project finance business line with 20 projects for the Paris center and 13 for the foreign branches (New York, London, Singapore, Sydney). New business in 2016 was comparable to that of 2015 in a market that was down 15% overall[7].

The business line strengthened and internationalized its expertise in the electricity sector, and more specifically in renewable energy, with 17 wind projects (including 11 in France, three in North America, one in Australia and two offshore in Europe), as well as participation in the Méridiam fund for the financing of energy transition projects. Several infrastructure projects are also worth noting, including telecommunications infrastructures in Spain, road infrastructures in Australia, secondary schools in France and the United Kingdom, a desalination plant in Australia, a heating network in Sweden and an airport in Lyon. In the area of natural resources, there was also a petrochemicals plant in Oman and an LNG (Liquefied Natural Gas) project in Indonesia.

By business sector, 2016 production can be broken down as follows: electricity 50%, infrastructure 36%, natural resources 12% and telecom infrastructure 2%. By geographic area: Europe 65%, Asia-Oceania 23%, America 6% and Middle East 6%.

International activities and foreign branches

The main focus of the Crédit Mutuel-CM11 Group's international strategy is to support customers in their development in foreign markets by offering a diversified range of products and services tailored to companies' 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-CM11 Group has the resources to achieve this goal.

Support for customers in other countries is also provided through strategic partnerships in Canada with Desjardins, in China with Bank of East Asia, in the Maghreb region with Banque Marocaine du Commerce Extérieur and Banque de Tunisie, and in Spain with Targobank.

2016 was marked by further development in buyer credit, documentary transactions and issues of guarantees for both import and export against a backdrop of increased geopolitical risks and uneven growth in emerging countries.

Capital markets activities

The Group's capital markets activities are carried out based on a secure, conservative management approach, both for its own refinancing and investment purposes and for its customers. The teams are located mainly in France, but also at the New York, London and Singapore branches.

The Group cash management activity covers the entire Crédit Mutuel-CM11 Group, including CIC. As this activity entails banks' balance sheet management, its results must be included in those of the Group's other activities or in those of the holding company.

The commercial activity, called CM-CIC Market Solutions, mainly provides services to the customers of the Group's banks and, as such, repays most of the profit generated to them.

The Investment activity ultimately represents most of the income of the capital markets activities as shown in this presentation. The expertise developed for proprietary trading activities are offered to customers through funds managed by the Cigogne Management subsidiary.

Refinancing

In 2016, the Crédit Mutuel-CM11 Group was able to refinance itself under good market conditions. Low interest rates and the regular presence of investors and their strong interest in our issues created a favorable environment.

External resources totaled €132.8 billion at end-December 2016, a 7.2% increase compared with the end of 2015 (€123.9 billion).

[7] *Source: Project Finance International*

The increase in short-term resources, which benefited from large amounts of liquidity in the money market, largely explains the rise in external resources. Short-term resources totaled €48.8 billion compared with €40.8 billion at end-2015, a more than 19% increase.

The outstanding amount of resources raised with maturities of more than 12 months was €84 billion, nearly the same (+1.1%) as the previous year (€83.1 billion).

In total, €12.4 billion in medium- and long-term external resources were issued in 2016, including €9.5 billion (76.3%) in the form of public issues, with the remainder through private transactions.

This €9.5 billion breaks down as follows:

- €3.75 billion issued by BFCM in the form of senior EMTN;
- €2.55 billion (equivalent) raised through U.S. Rule 144A (USD 1.75 billion) and Samurai (JPY 121.2 billion) offerings;
- €1.7 billion issued as Tier 2 subordinated debt;
- €1.5 billion at 6.5 years issued in the form of housing bonds by our specialized Crédit Mutuel-CIC Home Loan SFH subsidiary.

In addition, in 2016 the European Investment Bank (EIB) modified the framework of its lending packages for SMEs by extending them to intermediate-sized enterprises. The Group therefore finalized a new €500 million contract under the new name "loan for small, medium and intermediate-sized enterprises" based on a wider potential audience and long-term interest in this type of loan.

At the end of December 2016, this comfortable liquidity situation resulted in:

- a €68 billion LCR liquidity cushion held by the Central Treasury department;
- a Crédit Mutuel-CM11 Group LCR ratio of 140%; and
- 159% coverage of market deposits falling due in the next 12 months by holding liquid and ECB-eligible assets.

Commercial (CM-CIC Market Solutions)

Following the merger of CM-CIC Securities' activities with those within CIC, the market sales activities were reorganized as of January 1, 2016. This department is called CM-CIC Market Solutions.

The aim of all these activities is to provide corporates, institutional investors and asset management companies with investment, hedging, transaction and market financing solutions, as well as post-trade services. CM-CIC Market Solutions consists of the five following units:

- “Secondary market solutions”: execution solutions and direct selling;
- “Primary market solutions”: primary bond, primary equity, issuer services, financial communication;
- “Investment solutions”: structured EMTN, Cigogne funds;
- “Custodian solutions”: securities account-keeping, mutual fund custodian;
- “Overall research”: economic and strategic research, equity research, credit research.

The services provided by the “Secondary markets solutions” department range from advice to execution and cover a broad range of instruments: interest rate hedging, foreign currency hedging, commodity risk hedging, bonds, equities, ETFs and derivatives.

The execution global solutions teams trade and clear for their customers on all European and North American equity markets and on numerous international equity, bond and derivatives markets. They also trade routing orders for retail customers in the Crédit Mutuel and CIC networks. The French sales teams are based in Paris and the main regional cities. They serve network customers, institutional customers and large corporates. These activities are also marketed to international customers, via local entities when relevant.

“Primary market solutions” is the Group’s business center for financial transactions. It relies on the expertise of CM-CIC Investissement’s capital structuring and specialized financing teams and benefits from the commercial coverage of large accounts, the network and the Group's entities, including BECM, CIC Private Banking and CIC Banque Transatlantique.

In 2016, the primary bond team took part in 34 bond issues. Lastly, the department also provides issuer services (financial communications, liquidity agreements and stock buybacks, financial secretariat and securities services) for more than 150 listed and unlisted companies.

“Investment solutions” offers an original and proven range of investment products as a direct result of their expertise in “fixed income/equities/credit” investment. These activities experienced strong growth in 2016, with a high volume of new issues of EMTNs and strong inflows from Cigogne funds, allowing a 50% increase in assets under management to €1.9 billion.

The “Custodian solutions” business covers two major activities:

- account-keeping/custody for individual customers under discretionary portfolio management;
- acting as custodian for mutual funds, which includes the regulatory functions of asset safekeeping, verifying the regularity of the decisions of the asset management companies and cash monitoring.

An array of miscellaneous services also support these primary functions. The custodian solutions business serves 133 asset management companies, administers more than 27,000 personal investor accounts and acts as custodian for nearly 320 mutual funds, representing €26 billion in assets. These customers recognize the teams’ know-how, the quality of the SOFI account-keeping software and the Group's financial strength.

“Overall research” includes equity research, credit research and economic and strategic research. Equity research entails very precise styles, defined within the Investment Opportunities offering, that meet the needs of institutional asset managers. Research on French securities is in line with the research on European securities developed within the ESN partnership. CM-CIC Market Solutions is a member of ESN LLP, a “multi-local” network of brokers operating in eight European countries (Germany, the Netherlands, Finland, Italy, Spain, Portugal, Greece and France). Covering 600 European companies, it has a research team of 90 analysts and strategists, as well as 130 salespeople and traders throughout Europe.

Credit research supports the development of the primary bond business. The coverage of issuers by credit research along with regular monitoring of the entire bond asset class lend credibility at the commercial level. Economic research provides the customers of CM-CIC Market Solutions with an economic scenario and regular monitoring of current trends and economic indicators. It also supports the sales growth of the Group's other businesses (particularly Private Banking).

Fixed-income – equity – credit investments (ITAC)

The teams carry out investments within a framework of specific limits. The investments consist mainly of purchases and sales of financial securities purchased with the intention of being held for the long term, as well as transactions involving financial instruments related to these securities.

In 2016, the financial markets were characterized by:

- central bank interventions, by the ECB in particular, which kept interest rates very low and created abundant liquidity;
- a tense geopolitical environment.

In this market context, positions were managed cautiously. The results on these capital markets activities in France and New York increased by 18%, and the goal is to achieve positive performance while limiting the volatility of the financial results from these activities and to focus on developing sales.

Alternative investment products offered to customers continued to perform well, driven by the expertise of the investment business line. The alternative investment fund Stork, the main investment product, outperformed the relevant indices, with controlled volatility. Overall outstandings sold increased by 6%.

Private banking

The Crédit Mutuel-CM11 Group, via CIC Private Banking, covers all of the private banking business lines across the world.

At the international level, the Group has entities in regions with high growth potential, such as Luxembourg, Switzerland, Belgium and Asia.

Its brands offer nearly 180,000 customers a wide range of high value added services. The business line has €127 billion in assets under management, €20 billion in commitments and employs some 2,000 people.

These activities seek to provide customers with high-quality service in line with the highest industry standards. At all the entities, the Group applies strict legal and fiscal compliance principles, as described in the private banking sector policy.

Each entity has a specific positioning and may intervene, based on its market and expertise, in segments other than those for private customers alone.

In France, it operates through two major players:

- CIC Private Banking, which is part of the CIC network and mainly targets senior executives;
- CIC Banque Transatlantique, whose tailor-made services, aimed largely at French nationals living abroad, include private banking and stock options.

CIC Private Banking

With 382 employees in more than 50 cities in France, CIC Private Banking assists high net worth families and senior executives, at key stages of their businesses: opening up the capital, acquisitions and family transmissions.

Working together with wealth engineers, its 191 private banking managers help business owners identify their requirements and determine the appropriate business and wealth strategy.

All the Group's skills, particularly its international skills, are brought into play to offer the best solutions.

In 2016, thanks to a still high number of disposals of companies and its ability to handle large transactions in light of other major players in the field, CIC Private Banking pursued its growth and fund inflows by drawing on its close customer relationships and selecting the best banking and financial offerings in the market.

The focus in 2016 was on increasing expertise and keeping it secure: expansion of the private equity and real estate offerings, creation of a unit that, together with the regions, handles the most complex customized projects, particularly invitations to tender, and enhancement of the unit’s compliance resources.

Customer savings exceeded the €20 billion mark.

Banque Transatlantique Group

Banque Transatlantique opened a representative office in Barcelona in January 2016 after opening one in Madrid.

Large IT and labor investments were made in the London branch in 2015 and 2016 to better serve French customers in Great Britain. Banque Transatlantique reinforced its position as a pivotal player in its three main business lines: private banking, French customers living abroad, and the administration of employee shareholdings, stock options and bonus share allocations.

At the international level, CIC Private Banking’s network consists mainly of:

Banque de Luxembourg

Banque de Luxembourg is one of Luxembourg’s leading banks. It focuses on its five businesses, namely private banking, asset management, lending, business support and services for asset management professionals.

In 2016, its private banking outstandings increased to €22.4 billion. Its customers are international business owners and families seeking reliable solutions to protect, manage and transfer their tangible and intangible assets. It offers its customers an integrated lines of services from investment advisory to financing solutions. Banque de Luxembourg also supports them in issues related to family governance or in philanthropic projects.

Banque de Luxembourg continued to expand in Luxembourg, as well as in Belgium, where it has operated since 2010. Given its reputation, it is regularly called upon by customers with, in some cases, complex needs, such as substantial and diversified assets, business or private activities in several countries, and so on. In response to these needs, the bank constantly adapts its solutions to take into account, for example, customers' requests related to asset analysis and consolidation, reporting or diversification away from traditional asset classes. It also develops alternative management (private equity, hedging, real estate, social finance, microfinance, etc.).

In the early 1980s, Banque de Luxembourg was a pioneer in the development of a center of excellence for investment funds, an area in which Luxembourg holds a global leadership position. Since then, the bank has offered fund initiators all the necessary services for creating their structures and for their central administration and international distribution.

The bank is a leading provider of services and comprehensive support for independent asset managers. Third-party managers outsource their administrative tasks to the bank, which enables them to focus entirely on managing and developing their business.

In 2016, banking services for professionals increased to €51.6 billion, including €44.7 billion in net assets for investment funds and €6.9 billion in assets under management for the "third-party manager" business.

Banque CIC (Switzerland)

The bank’s strategy is clearly focused on a Swiss customer base of companies and entrepreneurs, with a very global approach to their private and professional needs. After taking this course of action for several years, the bank again experienced significant growth in 2016.

With a customer base in line with this strategy and despite market turbulence, business volume increased and profitability improved considerably, reaching a satisfactory level.

CIC Singapore and CICIS Hong Kong branch

Since 2002, CIC has carried out its private banking business in Asia from Hong Kong and Singapore, two major financial centers in this field in Asia.

The year 2016 was marked by several challenges for the industry as a whole in Asia. Regulations became stricter while compliance and risk management practices increased according to international standards. The industry experienced a wave of consolidation as the market remained fragmented and characterized by intense competition among participants, which caused margins and profitability to deteriorate. Despite the various challenges and a volatile market environment, CIC Private Banking generated significant income growth driven mainly by foreign exchange transactions and securities brokerage.

The business continued to acquire new customers, solidify essential customer relations and seize market opportunities.

Looking ahead to 2017, the Group will pursue its marketing activity and define its business management in line with market fundamentals and risk considerations.

Private equity (CM-CIC Investissement)

Together with its subsidiaries (CM-CIC Investissement SCR, CM-CIC Innovation, CM-CIC Capital Privé and CM-CIC Conseil), CM-CIC Investissement has close to 120 employees working at six locations across the country, including Paris (headquarters), Lyon, Nantes, Bordeaux, Lille and Strasbourg, and seven international offices in Frankfurt, Zurich, Geneva, London, Montreal, New York and Boston.

With a comprehensive offering that includes venture capital, private equity, buyout capital and advice on mergers and acquisitions, CM-CIC Investissement is able to advise and make long-term investments in companies in amounts ranging from €1 million to €100 million to support them in their development in France and internationally.

The year 2016 was marked by a volatile economic environment and excess liquidity in the private equity market, which resulted in high valuations of some companies. Heightened geopolitical tensions may disrupt the business climate and slow the pace of the investment decisions of certain portfolio companies (small, medium and intermediate-sized enterprises). Nevertheless, CM-CIC Investissement’s position as a long-term shareholder, through the use of its own capital, allows the portfolio companies to continue to confidently implement their growth projects since they have the amount of time needed to mature.

Thus, as part of its proprietary trading, €288 million (including approximately 55% invested in mid-size companies[8]) was invested in 123 transactions, with more than half to support portfolio companies.

The main equity investments concerned Biscuit International (Poult), Aries Alliance, Devialet, Lim Group, Altrad, Elisanté, Warning, Imi – Cheval Frère, Maat Pharma and Ieva.

Portfolio turnover was again very high. Divestments with a total transfer value of €322 million resulted in €176 million in capital gains (including reversals of provisions for capital losses), demonstrating once again the quality of the assets. The main divestments concerned Club-Sagem/Safran, CIT/Citoxlab, Aries, La Compagnie des Desserts, Nature & Découverte and Clinique du Val d'Ouest.

At December 31, 2016, this portfolio amounted to €2.2 billion (including €82 million in innovation capital) with close to 408 investments. It is diversified with a significant portion (more than 60%) in private equity.

Portfolio assets generated dividends, coupons and financial income of €56 million. In addition, the amount of unrealized capital gains again increased and contributed to IFRS income.

In third-party management, CM-CIC Capital Privé, which suspended its FIP investment fund and FCPI innovation fund issues in 2015, continued to manage the existing funds. Funds under management amounted to €233.6 million, after redemptions of €82 million by subscribers and the closing of three funds.

In 2016, CM-CIC Conseil's business improved somewhat with nine transactions in a still highly competitive mergers and acquisitions market.

Logistics

EI Telecom – EIT

The Group's full MVNO (Mobile Virtual Network Operator) operator sells its products under five different brands – Crédit Mutuel Mobile, CIC Mobile, NRJ Mobile, Cofidis Mobile and Auchan Telecom – and is the only operator that combines mobile phone services with banking products and services.

For EI Telecom, the year was marked by continued development in the B2B segment along three lines: retail, focusing mainly on the branch network (products aimed at SMEs); wholesale, a new product line developed by EI Telecom to provide mobile access to large corporates or business or general public MVNOs; and the development of a white label activity with the external distribution networks (signature of an agreement with Cdiscount).

EI Telecom achieved positive net customer growth by adding 50,000 customers for a total customer base of 1,566,000. In 2016, EI Telecom recorded its highest revenue (€436 million, up 7% compared with 2015) and its highest net income (€16 million) since its creation.

At the end of 2016, EI Telecom maintained and consolidated its position as the leading French MVNO in terms of number of customers, revenue generated during the year and net income. EI Telecom is also the only full MVNO connected in 2G/3G/4G to the three main network operators: Orange, SFR and Bouygues Telecom.

Euro Protection Surveillance – EPS

The Crédit Mutuel-CM11 Group's remote surveillance subsidiary continued to grow in 2016 and now has 415,000 subscribers (+6.5%), including 400,000 with active remote surveillance contracts (+6.7%) and nearly 12,200 with remote assistance contracts (+4.2%). EPS has consolidated its position as France's leading provider of residential remote surveillance with a market share of approximately 31%[9].

Revenue in 2016 was €150 million (up 5.4%) and net income was €23.6 million (up 13.3%).

Fivory electronic wallet

[8] *Companies with revenue of more than €50 million*

[9] *Source: Atlas de la Sécurité 2016 / internal data*

The number of partners behind the e-wallet app developed by the Group increased in 2016 to offer a solution consistent with new buying practices, by making both payment and certain aspects of the shopping experience electronic regardless of the distribution channel used. In June 2016, Auchan, Oney and MasterCard acquired a stake and, in October 2016, an agreement was reached with BNP Paribas to partner on the development of an innovative solution that will capitalize on each other's knowledge and partnerships (subject to prior authorization by the European Commission regarding merger control).

I.4 - History of Crédit Mutuel-CM11 Group and BFCM

I.4.1 - Crédit Mutuel's origins

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

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

- loans were only granted to shareholding members,
- limited (after originally being unlimited) joint and several liability of shareholding members,
- a democratic organization: one person one vote,
- voluntary membership,
- no remuneration for directors,
- limited geographic areas,
- no pay-out of financial surpluses, and
- indivisible reserves.

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

I.4.2 - Key dates

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

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

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

1897: Creation of the Lorraine federation.

1905: Creation of the Alsace-Lorraine federation.

1919: Creation of Banque Fédérative du Crédit Mutuel (BFCM).

1958: Crédit Mutuel is granted legal status at the national level.

The Alsace-Lorraine federation becomes the Fédération du Crédit Mutuel d'Alsace et de Lorraine.

Banque Mosellane becomes Banque Centrale des Caisses de Lorraine. In 1966, its name is changed to Banque du Crédit Mutuel Lorrain (BCML).

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

1971: Creation of Assurances du Crédit Mutuel.

Opening of Bischenberg training center.

1972: Expansion into Franche-Comté ; the group is renamed Fédération du Crédit Mutuel d'Alsace, de Lorraine et Franche-Comté.

1992: Restructuring of head office entities:

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

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

_1993_: Partnership between CMCEE and Crédit Mutuel du Sud Est (CMSE).

_1998_: BFCM acquires 67% of CIC's capital for €2 billion.

Banque de l'Economie Crédit Mutuel is renamed Banque de l'Economie du Commerce et de la Monétique (BECM).

_2001_: BFCM acquires the remaining 23% stake in CIC that was still owned by Groupama.

_2002_: Partnership between CMCEE and CMSE with Crédit Mutuel Île-de-France (CMIDF).

_2002_: Partnerships with Banca Popolare di Milano through CIC (banking and insurance, payment, equity transactions, etc.).

_2004_: The Chambre Syndicale expands to include the CMSE and CMIDF federations.

The ACM begin to distribute auto insurance policies through the Sa Nostra network in the Balearic Islands.

In partnership with Banque de Tunisie, which is 20%-owned by CIC, Euro Information creates two subsidiaries in Tunisia specializing in information systems development and outgoing call management.

CIC acquires a 10% interest in Banque Marocaine du Commerce Extérieur, leading to cooperation in the distribution of financial products, the delivery of banking and insurance services, real estate transactions, consumer credit and finance lease contracts.

_2006_: Fédération du Crédit Mutuel Savoie Mont-Blanc joins the interfederal Caisse, bringing the number of member federations to four.

_2007_: On March 14, CIC Private Banking-Banque Pasche acquires Zurich-based Swissfirst Private Banking, with retroactive effect to January 1, 2007.

In April, BFCM acquires a 100% interest in Groupe Républicain Lorrain by buying up shares held in various group companies for €73 million.

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

_2008_: CIC Group increases its equity interest in Banque Marocaine du Commerce Extérieur from 10% to 15%.

On June 5, BFCM acquires 100% of the capital of the French subsidiary of the Banco Popular Español Group.

On June 27, BFCM acquires a majority interest in Est Républicain through France Est.

On November 18, BFCM signs an agreement with a view to acquiring a controlling interest in Cofidis Participations.

On December 5, BFCM acquires a 100% interest in Citibank Germany.

_2009_: Fédération du Crédit Mutuel Midi-Atlantique joins the interfederal bank, bringing the number of member federations to five.

On March 23, BFCM Group and 3 Suisses International ("3SI") announce the definitive completion of an acquisition of a controlling interest in Cofidis Participations. This transaction was carried out by the acquisition of 51% of Cofidis Participations by a holding company jointly owned by BFCM and 3SI and 67%-controlled by BFCM. Under the terms of the agreements, BFCM may increase its equity interest in Cofidis Participations to 67% of the capital and voting rights by 2016, at the initiative of either party.

2010: The Crédit Mutuel-CM11 Group strengthens its branch network in France and neighboring countries (in particular Spain through the creation of a branch network with Banco Popular), thereby expanding its activity and reach.

On May 12, 2010 Caisse Fédérale du Crédit Mutuel Centre Est Europe is renamed CF de CM, reflecting the expansion of its scope of action through existing and future partnerships.

2011: The Crédit Mutuel Loire-Atlantique et Centre Ouest, Crédit Mutuel du Centre, Crédit Mutuel Normandie, Crédit Mutuel Dauphiné-Vivarais and Crédit Mutuel Méditerranéen federations join CF de CM, bringing the number of member federations to 10.

The Crédit Mutuel-CM11 Group strengthens its ties with mass market retailers. Backed by its technological capabilities, it signs a partnership agreement with Casino to market financial products. Banque Casino is therefore jointly held 50-50 by the respective companies.

2012: Fédération du Crédit Mutuel Anjou joins Caisse Fédérale du Crédit Mutuel, bringing the number of member federations to 11.

On May 10, Banque de l'Economie du Commerce et de la Monétique (BECM) is renamed Banque Européenne du Crédit Mutuel.

2013: In April, the Crédit Mutuel-CM11 Group and Mouvement Desjardins, Canada's leading cooperative financial group, create Monético International. This Montreal-based company aims offer innovative payment solutions to customers of merchants of both financial institutions.

In April, BFCM and 3SI (formerly 3 Suisses International) sign several agreements allowing BFCM to own 54.63% of the capital of Cofidis Participations either directly or indirectly.

In April, the Crédit Mutuel-CM11 Group also signs a new partnership agreement, through Euro-Information, with Banco Popular Español SA under which a 50%-owned joint venture is created to provide overall management of ATMs in Spain.

In September, EI Telecom (EIT) and Auchan France decide to form a partnership which results in the acquisition by EIT of Auchan Telecom's customers and EIT's use of the Auchan Telecom trademark.

2014: CF de CM and BFCM carry out capital increases in July 2014 amounting to €2,562 million and €2,700 million, respectively.

In March, the Crédit Mutuel-CM11 Group sold its 7% stake in Banca Popolare di Milano. The Crédit Mutuel-CM11 Group also increased its stake in Banque de Tunisie to 34%.

2015: CF de CM and BFCM carry out capital increases in July 2015 amounting to €1,294 million and €1,409 million, respectively.

Electronic payments: agreement between Crédit Mutuel and UnionPay International regarding the acceptance of UnionPay International bank cards by CF de CM.

After the integration of Agrupació in 2012, Groupe des Assurances du Crédit Mutuel acquires Atlantis, thereby making further strides in its Spanish expansion strategy.

In 2015, the Cofidis Participations Group pursued its development strategy with the acquisition of the company Banif Mais (June), specialized in auto loans for second-hand cars and based in Portugal, Hungary, Slovakia and Poland, and the Italy-based company Centax (March), which specializes in guaranteeing retail check or card payments.

The Crédit Mutuel-CM11 Group celebrates ten years in the telephony business. A new partnership signed with Bouygues makes the Crédit Mutuel-CM11 Group's EI Telecom the only mobile virtual network operator to sign three full MVNO 4G contracts (SFR, Orange and Bouygues).

BFCM enters into exclusive negotiations to acquire General Electric's leasing and factoring activities in France and Germany.

2016: On March 31, 2016, the Crédit Mutuel-CM11 Group exercised a call option through Banque Fédérative du Crédit Mutuel to acquire 1.02% of the share capital of Targobank Spain owned by Banco Popular. On completion of this transaction, BFCM held 51.02% of the capital of Targobank Spain and Banco Popular held 48.98%. BFCM also has the right to appoint the majority of the directors of Targobank Spain.

At the end of the second quarter of 2016, the Group finalized the sale of Banque Pasche to Luxembourg-based Banque Havilland.

On July 20, BFCM acquired General Electric's leasing and factoring activities in France and Germany. These businesses will be operated in Germany under the name "Targo Commercial Finance" and in France under the names "CM-CIC Leasing Solutions" and "Factofrance", respectively.

II. CORPORATE GOVERNANCE of CRÉDIT MUTUEL-CM11 GROUP and BFCM

II.1 – BFCM board of directors

II.1.1 - Composition of the board of directors

The legal provisions related to the composition of the Board of Directors and the terms of office of its members are presented below in Section II.2.1.1 of this chapter (pursuant to Article L. 225-102-1 of the French Commercial Code).

At its meeting of February 16, 2016, the Board of Directors' meeting of February 25, 2016 took note of the Appointments Committee approval of the appointment of Daniel Rocipon to replace Albert Peccoux.

The Ordinary Shareholders' Meeting of May 11, 2016 approved the appointment of Damien Lievens as a member of the Board of Directors to replace François Duret and of Daniel Rocipon to replace Albert Peccoux.

The same Ordinary Shareholders' Meeting reappointed Gérard Cormorèche, Etienne Grad, Michel Lucas and Jean-Paul Martin as members of the Board of Directors for a three-year term.

The Board of Directors' meeting of July 28, 2016 reappointed Yves Blanc and Dominique Trinquet and decided to appoint Alain Pupel to replace René Barthalay and Claude Courtois to replace Jean-Pierre Brunel as non-voting directors for a three-year term.

The Board of Directors' meeting of November 18, 2016 decided to reappoint Aimée Brutus as non-voting director for BFCM for a three-year term.

Summary table of the composition of the Board of Directors as of December 31, 2016

Corporate officer	Representative	Position	Since	Until
THERY Nicolas		Board Chairman	14/11/2014	30/06/2017
HUMBERT Jacques		Vice-President	03/05/2006	30/06/2018
BOISSON Jean-Louis		Board Member	03/05/2006	30/06/2018
BONTOUX Gerard		Board Member	06/05/2009	30/06/2018
BROCHARD Hervé		Board Member	10/05/2013	30/06/2017
CORGINI Maurice		Board Member	03/05/2006	30/06/2018
CORMORECHE Gerard		Board Member	10/05/2007	30/06/2019
GIRODOT Jean-Louis		Board Member	07/05/2008	30/06/2017
GRAD Etienne		Board Member	17/12/2010	30/06/2019
LIEVENS Damien		Board Member	30/07/2015	30/06/2017
LUCAS Michel		Board Member	10/05/2007	30/06/2019
MARTIN Jean-Paul		Board Member	10/05/2007	30/06/2019
MIARA Lucien		Board Member	13/05/2015	30/06/2018
OLIGER Gerard		Board Member	07/05/2008	30/06/2017
ROCIPON Daniel		Board Member	25/02/2016	30/06/2018
TETEDOIE Alain		Board Member	10/05/2007	30/06/2018
VIEUX Michel		Board Member	11/05/2011	30/06/2017
Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie	LEROYER Daniel	Board Member	18/11/2011	30/06/2018

Non-voting directors :

BAZILLE Jean-Louis, BLANC Yves, BOKARIUS Michel, BRUNEL Jean-Pierre, BRUTUS Aimée, Claude COURTOIS, DANGUEL Roger, DIACQUENOD Gérard, DUMONT Marie-Hélène, FLOURIOT Bernard, GROC Monique, LAVAL Robert, LUTZ Fernand, PUPEL Alain, TESSIER Alain, TRINQUET Dominique.

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

Board of Directors

Nicolas THÉRY

Born on December 22, 1965 in Lille (59)
Work address :
Caisse Fédérale de Crédit Mutuel
34, rue du Wacken 67000 STRASBOURG

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association Loi de 1901
	Caisse Centrale du Crédit Mutuel	SA coopérative
	Fédération du Crédit Mutuel Centre Est Europe	Association de droit local
	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Banque Fédérative du Crédit Mutuel	SA
	Crédit Industriel et Commercial	SA
	Assurances du Crédit Mutuel Vie SA	SA
	Assurances du Crédit Mutuel IARD	SA
	Assurances du Crédit Mutuel Vie S.A.M.	Société d'Assurance Mutuelle
	Banque CIC Est	SA
Chairman of the Supervisory Board	Groupe des Assurances du Crédit Mutuel	SA à directoire
	Banque Européenne du Crédit Mutuel	SAS
Member of the Board of Directors	Caisse de Crédit Mutuel Strasbourg Vosges	Association coopérative de droit local
Member of the Management Board	Euro-Information	SAS

Jacques HUMBERT

Born July 7, 1942 in Patay (45)
Work address :
Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken 67000 Strasbourg

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Union des Caisses de Crédit Mutuel du District de Mulhouse	-
Member of the Board of Directors	Fédération du Crédit Mutuel Centre Est Europe	Association de droit local
	Caisse Fédérale de Crédit Mutuel	Société Anonyme à Conseil d'Administration

	Banque Fédérative du Crédit Mutuel	SA
	Caisse de Crédit Mutuel la Doller	Association coopérative
	DNA	Société Anonyme
	Société de publications l'Alsace	SAS
Permanent representative of the Fédération du Crédit Mutuel Centre Est Europe	Assurances du Crédit Mutuel Vie SA	SA
Permanent representative of the BFCM	Crédit Industriel et Commercial	SA
Director	Editions COPRUR	Association coopérative inscrite à responsabilité limitée

Other functions outside the group

Position	Legal name of entity
Chairman	Musique Municipale Masevaux
Chairman	**Groupement de l'Union des sociétés de musique Thur-Doller**

Jean-Louis BOISSON

Born on August 2, 1948 in Bourg en Bresse (01)
Work address :
Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken 67000 Strasbourg

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Union des Caisses de Crédit Mutuel du District de Bourgogne Champagne	-
Chairman of the Board of Directors	Caisse de Crédit Mutuel de Montbard Venarey	Société coopérative
Vice-Chairman of the Board of Directors	Fédération du Crédit Mutuel Centre Est Europe	Association de droit local
Vice-Chairman of the Supervisory Board	Banque Européenne du Crédit Mutuel	société par actions simplifiée
Member of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association
	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Banque Fédérative du Crédit Mutuel	Société Anonyme
	Targobank Espagne	Société Anonyme
	Est Bourgogne Média	Société Anonyme
Member of the Supervisory Board	Euro Information Production	GIE
Permanent representative of Caisse Fédérale de Crédit Mutuel	Assurances du Crédit Mutuel Vie SA	SA

Gérard BONTOUX Born on March 7, 1950 inToulouse (31) Work address : *Crédit Mutuel Midi-Atlantique* *10, rue de la Tuilerie - 31112 Balma Cedex*

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Fédération du Crédit Mutuel Midi-Atlantique	Association
	Caisse Régionale du Crédit Mutuel Midi-Atlantique	Société coopérative
Member of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association
	Banque Fédérative du Crédit Mutuel	Société Anonyme à Conseil d'Administration
	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Caisse de Crédit Mutuel Toulouse St Cyprien	Société coopérative
Member of the Supervisory Board	Banque Européenne du Crédit Mutuel	SAS
Permanent representative of CRCM-Midi Atlantique	Conseil d'administration Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle
Permanent representative of Marsovalor	Conseil d'administration CIC Sud-Ouest	Société Anonyme

Hervé BROCHARD Born on March 6, 1948 in Colmar (68) Work address : *Crédit Mutuel Normandie* *17, rue du 11 novembre - 14052 Caen Cedex*

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	Fédération du Crédit Mutuel de Normandie	Association
	Créavenir Normandie	Association
	Caisse Régionale de Crédit Mutuel de Normandie	Société coopérative
	Caisse de Crédit Mutuel de Caen Ecuyère	Société coopérative
	Norfi	Société coopérative
Member of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association
	Banque Fédérative du Crédit Mutuel	Société Anonyme à Conseil d'Administration
	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
Member of the Supervisory Board	Banque Européenne du Crédit Mutuel	SAS
Permanent representative of CRCM de Normandie	Conseil d'administration des Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle
Permanent representative of Fédération du Crédit Mutuel de Normandie	Centre International du Crédit Mutuel - CICM	Association

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Vice-Chairman of the Board of Directors	Association des Amis de Jean Bosco	Association

Maurice CORGINI

Born on September 27, 1942 in Baume-les-Dames (25)
Work address :
Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken 67000 Strasbourg

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	Union des Caisses de Crédit Mutuel du District de Franche-Comté Sud	-
Member of the Board of Directors	Caisse de Crédit Mutuel de Baume-Valdahon-Rougemont	Société coopérative
	Fédération du Crédit Mutuel Centre Est Europe	Association de droit local
	Banque Fédérative du Crédit Mutuel	SA
	Caisse Agricole Crédit Mutuel	Société coopérative
	Crédit Industriel et Commercial	SA

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Co-Managing Partner	Cogit'Hommes Franche-Comté	SARL

Gérard CORMORECHE

Born on July 3, 1957 in Lyon 6ème (69)
Work address :
Fédération du Crédit Mutuel du Sud-Est
8-10, rue Rhin et Danube – 69266 Lyon Cedex 09

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Fédération du Crédit Mutuel du Sud Est	Association déclarée
	Caisse de Crédit Mutuel du Sud Est	Société coopérative
	Caisse Agricole Crédit Mutuel	Sté coop. de crédit à capital variable et resp. limitée
	C.E.C.A.M.U.S.E	Syndicat agricole
Chairman of the Board of Directors	Caisse de Crédit Mutuel Neuville-sur-Saône	Société coopérative
Director	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Confédération Nationale du Crédit Mutuel	Association Loi 1901
	Caisse Centrale du Crédit Mutuel	Sté coopérative à forme anonyme

	Banque Fédérative du Crédit Mutuel	SA
	Cautionnement Mutuel de l'Habitat	Association coopérative
Vice-President	Fédération du Crédit Mutuel Agricole et Rural - FCMAR	Association déclarée
	MTRL	Mutuelle Nationale
Non voting Director	CIC	SA
Permanent representative of CCM Sud Est	Conseil d'administration Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle à cotisations fixes

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Managing Partner	SCEA Cormoreche Jean-Gérard	SCEA
	SARL Cormoreche	SARL
	SCI Cormoreche	SCI
	SCI Ravaille	SCI
Director	SOCIETE DES AGRICULTEURS DE FRANCE	

Jean-Louis GIRODOT

Born on February 10, 1944 in Saintes – Charente Maritime (17)
Work address :
Fédération du Crédit Mutuel Île-de-France
18, rue de la Rochefoucault 75439 Paris Cedex 09

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	Fédération des Caisses de Crédit Mutuel Ile-de-France	Association déclarée
	Caisse Régionale du Crédit Mutuel Ile-de-France	Société coopérative à forme anonyme
	Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards	Société coopérative
Member of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association
	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Banque Fédérative du Crédit Mutuel	SA
	Centre International du Crédit Mutuel - CICM	Association
Member of the Supervisory Board	Euro Information Production	GIE
Permanent representative of Caisse Régionale du Crédit Mutuel Ile-de-France	Conseil d'administration Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Conseil Economique, Social et Environnemental de la Région Île-de-France (CESER IDF)	Administration publique
	Association de moyens du Groupe Audiens	Association
Managing Partner	Girodot Conseil	EURL

Vice-President	Chambre Régionale de l'Economie Sociale et Solidaire d'Île-de-France (CRESS)	Association
	Coopérative d'Information et d'Edition Mutualiste	Société coopérative à forme anonyme
	Mutuelle Audiens de la Presse, du Spectacle et de la Communication	Société mutualiste
Member of the Board of Directors	AFDAS	Association (OPCA)
Member of the Supervisory Board	WELCARE	Société anonyme à directoire et conseil de surveillance
Permanent representative of FNPS	Commission Paritaire des Publications et Agences de Presse	Instance paritaire consultative
General Secretary	Fédération Nationale de la Presse spécialisée (FNPS)	Association
	Syndicat de la Presse magazine et spécialisée	Association

Etienne GRAD

Born on December 26, 1952 in ILLKIRCH
Work address :
Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken 67000 Strasbourg

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Union des Caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	-
Chairman of the Board of Directors	Caisse de Crédit Mutuel Cours de l'Andlau	Association coopérative
Member of the Board of Directors	Fédération du Crédit Mutuel Centre Est Europe	Association de droit local
	Banque Fédérative du Crédit Mutuel	SA

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Chairman	SAS GRAD Etienne Conseil et Développement	SAS
Managing Partner	**SCI Lemilion**	SCI

Daniel LEROYER *Permanent representative of CFCM Maine-Anjou et Basse-Normandie, member of the board of directors* Born on April 15, 1951 in Saint Simeon (61) Work address *Fédération du Crédit Mutuel de Maine-Anjou Basse Normandie* *43 boulevard Volney 53083 LAVAL Cedex 9*

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
President of the Supervisory Board	Soderec	SA à Directoire
Member of the Board of Directors	Crédit Industriel et Commercial	SA
	Confédération Nationale du Crédit Mutuel	Association
Permanent representative of Fédération du Crédit Mutuel de Maine-Anjou et Basse Normandie	Centre International du Crédit Mutuel - CICM	Association
Permanent representative of Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Administrateur Banque Fédérative du Crédit Mutuel	SA
	Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle
	Administrateur Assurances du Crédit Mutuel IARD	SA

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Association
	Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	SA coopérative à conseil d'administration
	Caisse de Crédit Mutuel du Pays Fertois	Société coopérative
	Caisse Générale de Financement CAGEFI	Société coopérative
	Caisse de Crédit Mutuel Solidaire de Maine-Anjou et Basse Normandie	Société coopérative
Member of the Board of Directors	Assurances du Crédit Mutuel de Maine-Anjou -Normandie	SASU
	Volney Bocage	SASU
Permanent representative of Caisse Fédérale du Crédit Mutel de Maine-Anjou et Basse Normandie	Administrateur Volney Développement	SAS

Damien LIEVENS Born on July 25, 1970 in Dreux (28) Work address : *Fédération du Crédit Mutuel du Centre* *Place de l'Europe, 105, rue du Faubourg Madeleine 45920 Orléans Cedex 9*

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Caisse de Crédit Mutuel Agricole du Centre	Société coopérative
Vice-President	Caisse de Crédit Mutuel de Brezolles	Société coopérative
Member of the Board of Directors	Caisse Régionale de Crédit Mutuel du Centre	Société coopérative
	Fédération Régionale des Caisses de Crédit Mutuel du Centre	Association

	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Banque Fédérative du Crédit Mutuel	SA
	Caisse Agricole Crédit Mutuel	Société coopérative
	CNCM	Association
	Fédération du Crédit Mutuel Agricole et Rural	Association
Member of the Supervisory Board	Banque Européenne du Crédit Mutuel	SAS
Permanent representative of Caisse Régionale de Crédit Mutuel du Centre	Conseil d'administration Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Member of the Board of Directors	CENTREXPERT	Association

Michel LUCAS

Bon on May 4, 1939 in Lorient (56)
Work address :
Crédit Industriel et Commercial
6, avenue de Provence 75009 PARIS

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	**Républicain Lorrain**	SA
	Société du Journal l'Est Républicain	SA
	Société d'Edition du journal La Liberté de l'Est	SA
	Dernières Nouvelles d'Alsace	SA
	Banque de Tunisie	SA
	Le Progres	SA
Chairman	Crédit Mutuel Cartes de Paiements - CMCP	SAS
	Société de publications l'Alsace	SAS
	SIM (ex – EBRA)	SAS
	International Information Developments	SA
	Direct Phone Services	SA
Non voting Director	**Confédération Nationale du Crédit Mutuel**	Association
Vice-President of the Supervisory Board	CIC Iberbanco	SA
Vice-President of the Board of Directors	Banque de Luxembourg	SA drt lux
Member of the Board of Directors	Banque Fédérative du Crédit Mutuel	SA
	Crédit Industriel et Commercial	SA
	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	ASTREE (Tunis)	-
	Banque Marocaine du Commerce Extérieur	SA
	Banque Transatlantique Belgium (Bruxelles)	SA
	Caisse de Crédit Mutuel Grand Cronenbourg	Association coopérative de droit local
	Dauphiné Libéré	SA
	Est Bourgogne Média	SA
Member of the Supervisory Board	Manufacture d'impression sur étoffes de Beauvillé	SA à Directoire
	CM-CIC Services	GIE

	CM-CIC Investissement	SA à Directoire
Permanent representative of Fédération du Crédit Mutuel Centre Est Europe	Conseil de surveillance Groupe des Assurances du Crédit Mutuel	SA à Directoire
	Comité de direction de Euro Information	SAS
Permanent representative of Euro Information	Comité de direction de Euro Information Développement	SAS
Permanent representative of Crédit Industriel et Commercial	Conseil d'administration Banque Transatlantique	SA
	Conseil d'administration Lyonnaise de Banque	SA

Jean-Paul MARTIN

Born on October 21, 1939 in Metz (57)
Work address :
Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken 67000 Strasbourg

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Unions des Caisses de Crédit Mutuel du District de Metz	-
Member of the Board of Directors	Fédération du Crédit Mutuel Centre Est Europe	Association de droit local
	Banque Fédérative du Crédit Mutuel	SA
	CME 57	Association coopérative de droit local
Member of the Supervisory Board	**Targo Deutschland GmbH**	SARL
	Targo Management AG	SA
	Targobank AG	SA
Permanent representative of BFCM	Assurances du Crédit Mutuel IARD	SA

Lucien MIARA

Born on January 17, 1949 in Casablanca (Morocco)
Work address :
Fédération du Crédit Mutuel Méditerranéen
494, avenue du Prado BP 115 – 13267 Marseille Cedex 08

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Fédération du Crédit Mutuel Méditerranéen	Association
	Caisse Régionale du Crédit Mutuel Méditerranéen	Société coopérative
	MARSEILLE EUROMEDITERRANEE	Société coopérative
	CAMEFI MARSEILLE	Société coopérative
Member of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association
	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Banque Fédérative du Crédit Mutuel	SA
	Centre International du Crédit Mutuel - CICM	Association

Member of the Supervisory Board	Euro Information Production – groupement informatique CM-CIC	GIE
Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranéen	Conseil d'administration Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle
	Conseil d'administration Assurances du Crédit Mutuel VIE	SA

Gérard OLIGER

Born on July 7, 1951 in Bitche (57)
Work address :
Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken 67000 Strasbourg

Other functions inside the group

Position	**Legal name of entity**	**Legal form of the entity**
Chairman	Union des Caisses de Crédit Mutuel du District de Sarreguemines	-
Chairman of the Board of Directors	Caisse de Crédit Mutuel Pays de Bitche	Association coopérative de droit local
Permanent representative of Groupe des Assurances du Crédit Mutuel	Conseil d'administration Assurances du Crédit Mutuel VIE	SA
Member of the Board of Directors	Fédération du Crédit Mutuel Centre Est Europe	Association de droit local
	Banque Fédérative du Crédit Mutuel	SA

Alain TETEDOIE

Born on May 16, 1964 in Loroux Bottereau (44)
Work address :
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest
46, rue du Port Boyer BP 92636 – 44236 Nantes Cedex 3

Other functions inside the group

Position	**Legal name of entity**	**Legal form of the entity**
Chairman of the Board of Directors	Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Association
	Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest	Société coopérative de crédit à capital variable
	Cémavie	Fondation reconnue établissement d'utilité publique
Member of the Board of Directors	Caisse de Crédit Mutuel de Loire-Divatte	Société coopérative de crédit à capital variable
Member of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association
	Caisse Centrale du Crédit Mutuel	Société coopérative à forme anonyme à capital variable
	Caisse Fédérale de Crédit Mutuel	Société Anonyme
	Banque Fédérative du Crédit Mutuel	SA

Chairman of the Supervisory Board	CM-CIC Services	GIE
Chairman of the Supervisory Board	CM-CIC Immobilier	SAS
Member of the Supervisory Board	Banque Européenne du Crédit Mutuel	SAS
Permanent representative of Fédération du Crédit Mutuel LACO	Investlaco en qualité de Président	SAS
Permanent representative of Caisse Régionale de Crédit Mutuel LACO	Conseil d'administration Assurances du Crédit Mutuel Vie S.A.M.	Société d'assurance mutuelle
Permanent representative of EFSA	Banque CIC-Ouest au Conseil d'administration	Société Anonyme
Permanent representative of UFIGESTION 2	CM-CIC Bail au Conseil d'administration	Société Anonyme

Other functions outside the group

Position	Legal name of entity	Legal form of the entity
Chairman	Thalie Holding	SAS
Representative of Thalie Holding	La Fraiseraie en qualité de Président	SAS
Representative of Thalie Holding	SCEA La Fraiseraie en qualité de gérant	SCEA

Michel VIEUX

Born on April 12, 1951 in Gap (05)
Work address :
Fédération du Crédit Mutuel Dauphiné-Vivarais
130-132, avenue Victor Hugo 26009 Valence Cedex

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	Fédération du Crédit Mutuel Dauphinais-Vivarais	Association
	Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais	Société coopérative
	Caisse de Crédit Mutuel de Pierrelatte	Société coopérative
	Caisse du Crédit Mutuel de Pierrelatte	Société coopérative
	Caisse du Crédit Mutuel du Dauphiné (CAFIDA)	Société coopérative
Member of the Board of Directors	Confédération Nationale du Crédit Mutuel	Association
	Caisse Fédérale de Crédit Mutuel	Sté coopérative
	Banque Fédérative du Crédit Mutuel	SA
	Caisse de Crédit Mutuel Agriculture de Valréas	Société coopérative
	Caisse de Crédit Mutuel de Loriol	Société coopérative
Member of the Supervisory Board	Banque Européenne du Crédit Mutuel	SAS
Permanent representative of CRCM Dauphiné Vivarais	Conseil d'administration Assurances du Crédit Mutuel Vie	Société d'assurance mutuelle

Other functions outside the group

Position	Legal name of entity	Legal form of the entity

Vice-President	Association « La Cascade »	Association

Daniel ROCIPON

Born on February 17, 1948 in Montchanin (28)
Work address :
Fédération du Crédit Mutuel Savoie Mont-Blanc
99, avenue de Genève - BP 56474054 ANNECY Cedex

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chairman of the Board of Directors	Fédération du Crédit Mutuel Savoie-Mont Blanc	Association
	Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	Société coopérative
	Caisse de Crédit Mutuel d'Albertville	Société coopérative
Member of the Board of Directors	Caisse Fédérale de Crédit Mutuel	Société coopérative à forme anonyme
	Banque Fédérative du Crédit Mutuel	SA
	Centre International du Crédit Mutuel	Association
Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	Conseil d'administration ACM VIE S.A.M.	Société d'assurance mutuelle à cotisations fixes

Executive management

Alain FRADIN

Born on May 16, 1947 in Alençon (61)
Work address :
Banque Fédérative du Crédit Mutuel
34 rue du Wacken 67000 STRASBOURG

Other functions inside the group

Position	Legal name of entity	Legal form of the entity
Chief Executive Officer	Caisse Fédérale de Crédit Mutuel	Sté coopérative à forme anonyme
	Fédération Centre Est Europe	Association de droit local
	Banque Fédérative du Crédit Mutuel	SA
	Crédit Industriel et Commercial	SA
Chairman of the Board of Directors	CIC Nord-Ouest	SA
	CIC Ouest	SA
President of the Supervisory Board	Cofidis	SA
	Cofidis Participations	SA
	Euro Information Production	GIE
Vice-President of the Supervisory Board	**Targo Deutschland GmbH**	SARL
	Targo Management AG	SA
	Targobank AG &CO KGaA	Commandite par actions
	CM Akquisitions GmbH	SARL
		SA

	GACM	
Member of the Management Committee	Euro-Information	SAS
Permanent representative of FCMCEE	Sofedis	SAS
Permanent representative of CIC	Membre du Conseil de Direction Euro.Tvs	SAS
Member of the Management Committee	**Euro Information Télécom**	SAS

Remuneration of key executives

Guidelines

Banque Fédérative du Crédit Mutuel does not refer to the AFEP-MEDEF corporate governance code, which it finds unsuitable regarding a number of recommendations, given that 100% of its shares are held by entities of Crédit Mutuel Group.

As a result of the change in the directors and corporate officers of CIC and BFCM, the respective boards of the two companies, at meetings on February 26, 2015 for BFCM and December 11, 2014 for CIC, defined the new remuneration policies for these officers and the commitments made to them.

This remuneration and these commitments were set by the governing bodies of BFCM and CIC on the recommendations of the respective remuneration committees.

Non-executive corporate officers – i.e., all directors except the Chairman of the Board of Directors – receive no directors' fees or remuneration of any kind.

Implementation

The key executives affected by the remuneration policies include the Chairman of the Board of Directors and the Chief Executive Officer.

The employment contract of the Chairman of the Board of Directors with BFCM was suspended with effect from November 14, 2014 and that of the Chief Executive Officer has been suspended since May 1, 2011.

Acting on the recommendation of the Remuneration Committee, on December 11, 2014 CIC's Board of Directors decided to make an annual payment of €250,000 to Nicolas Théry as remuneration for his corporate duties as Chairman of the Board of Directors. The Board also voted to pay Nicolas Théry, in the event his term of office is terminated, an amount set at one year's remuneration for his service as Chairman of the Board of Directors. The termination payment is subject to the achievement of a performance objective, which is pegged to an increase in the Group’s IFRS-compliant overall consolidated equity for the period from January 1, 2015 to the termination date. This agreement regarding the termination indemnity was submitted to CIC's Shareholders' Meeting on May 27, 2015 for approval, following the special report of the Statutory Auditors.

Acting on the recommendation of the Remuneration Committee, on February 26, 2015 BFCM’s Board of Directors decided to maintain the current remuneration of Nicolas Théry at BFCM (gross annual salary of €450,000) but which with effect from December 1, 2014, is remuneration for his corporate duties as the Chairman of the Board of Directors. It also decided to implement an unemployment insurance contract for corporate officers with effect from December 1, 2014.

Furthermore, the Board of Directors set the termination indemnity for Nicolas Théry at one year’s gross salary, calculated on the basis of the 12-month average over the period prior to the end of his term of office. The termination payment is subject to the achievement of a performance objective, which is pegged to an increase in the Group’s IFRS-compliant overall consolidated equity for the period from January 1, 2015 to the termination date. With respect to this term of office, the above-mentioned payment does not come at the expense of the payment that he would receive as an employee pursuant, in particular, to the industrial agreements applicable at the group. To this end, it should be recalled that Nicolas Théry has been an employee of the Group since September 1, 2009 and that his employment contract was suspended with effect from November 14, 2014. As an employee, Nicolas Théry is subject to the company supplementary pension rules of January 1, 2008. The Remuneration Committee therefore proposed that these pension rules be applied to Nicolas Théry's remuneration, in his capacity as Chairman of the Board of Directors of BFCM, under the same conditions applicable to all Group employees.

This agreement regarding the termination indemnity and retirement benefits was submitted to BFCM's Shareholders' Meeting on May 13, 2015 for approval, following the special report of the Statutory Auditors.

BFCM's Board of Directors meeting of February 26, 2015 noted that the appointment of Alain Fradin, as Chief Executive Officer of BFCM, did not entail any changes to his circumstances until this date in his capacity as Chief Operating Officer. Acting on the recommendation of the Remuneration Committee, on May 11, 2011 BFCM's Board of Directors decided to set the gross annual fixed remuneration of Alain Fradin at €800,000 and to give him the use of a company car, benefits under the accidental death and disability plan and, where applicable, variable remuneration, the amount of which would be determined by a decision of the Board of Directors on the recommendation of the Remuneration Committee. As an employee, Alain Fradin is subject to the company supplementary pension rules of January 1, 2008. The Remuneration Committee therefore proposed that these pension rules be applied to Alain Fradin's remuneration, in his capacity as Chief Operating Officer of BFCM, under the same conditions applicable to all group employees. It also decided to create a termination indemnity for Alain Fradin equivalent to one year's gross salary, calculated on the basis of the 12-month average over the period prior to the end of his term of office. The termination payment is subject to the achievement of a performance objective, which is pegged to an increase in the group's IFRS-compliant overall consolidated equity for the period from January 1, 2011 to the termination date. With respect to this term of office, the above-mentioned payment does not come at the expense of the payment that he would receive as an employee pursuant, in particular, to the industrial agreements applicable at the group. This agreement regarding the termination indemnity was submitted to BFCM's Shareholders' Meeting on May 10, 2012 for approval, following the special report of the Statutory Auditors.

The remuneration received by the group's key executives is presented in the tables below.

During the year, the Group's key executives also benefited from the Group's accidental death and disability plans and supplementary pension plan.

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

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

The Group's officers and directors may also hold assets with, and receive loans from, Group banks on the same terms as those offered to all Group employees. As of December 31, 2016 they did not have any borrowings of this type.

Remuneration paid to the Group's key executives from January 1 to December 31

2016 amount in € (a)	**Origin**	**Fixed portion**	**Variable portion (b)**	**In-kind benefits (c)**	**Employer contributions for supplementary benefits**	**Total**
Nicolas Théry	***Crédit Mutuel***	***450,000***		***11,226***	***6,406***	***467,632***
	CIC	***250,000***				***250,000***
Alain Fradin	***Crédit Mutuel***	***800,000***		***5,072***	***8,688***	***813,760***

2015 amount in € (a)	**Origin**	**Fixed portion**	**Variable portion (b)**	**In-kind benefits (c)**	**Employer contributions for supplementary benefits**	**Total**
Nicolas Théry	***Crédit Mutuel***	***450,000***		***11,286***	***6,733***	***468,019***
	CIC	***250,000***				***250,000***
Alain Fradin	***Crédit Mutuel***	***800,000***		***4,845***	***8,559***	***813 404***

(a) These amounts are the gross amounts paid out by the company corresponding to payments made during the year.

(b) Any variable remuneration of the CEO would be decided by CF de CM's Remuneration Committee at a meeting following the Shareholders' Meeting held to approve the previous year's financial statements: the variable portion paid out in a given year therefore relates to the previous year.

(c) Company cars and/or GSC (corporate officers' unemployment benefit insurance).

For all persons at the Crédit Mutuel – CM11 Group who meet the above criteria, the overall amount of remuneration for 2016 as set out in the aforementioned Article L. 511-73 was €73,750,000.

Independent directors

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

The mechanism works as follows. Each local cooperative bank of Crédit Mutuel elects the members of its Board of Directors at its Shareholders' Meeting (which includes all shareholding members). From among these members, the local cooperative banks elect their representative to the district, a body that jointly represents a group of Crédit Mutuel local cooperative banks; the Chairman of the district becomes a full member of the Board of Directors of the federation, the policy-making body for a given group of Crédit Mutuel local cooperative banks. This status enables them to become members of the Board of Directors of Caisse Fédérale de Crédit Mutuel and its subsidiary, BFCM.

This bottom-up election method starting with the local cooperative banks gives BFCM directors legitimacy and independence equivalent to that of independent directors at listed companies.

There are no financial ties or conflicts of interest between the unpaid duties performed at the Crédit Mutuel local cooperative banks, the district and BFCM.

This legitimacy, which results from the internal election processes, is renewed at the time of each district election (every four years).

Whenever the term of office of a district Chairman ends, in practice this person's term of office at BFCM also ends, even if it has not expired.

Conflicts of interest of the members of the administrative, management and supervisory bodies

Owing to the volunteer status of the directors and the code of ethics and compliance in force within the Group, there are no potential conflicts of interest for the members of the Board of Directors and the Chief Executive Officer, between their obligations with regard to BFCM and their private interests.

II.2 - The Chairman of the Board of Directors' report on the conditions for preparing and organizing the Board's work and internal control procedures

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

II.2.1 - Preparation and organization of the Board's work

II.2.1.1 - Composition of the Board

The workings of the Board of Directors are governed by Article 14 through 18 of the articles of association, which do not contain any stipulations over and above the legal provisions.

BFCM complies with current corporate governance regulations. However, it does not adhere to the AFEP-MEDEF corporate governance code, a number of whose recommendations the Group finds unsuitable, given that 100% of its shares are held by entities of the Crédit Mutuel Group, including Caisse Fédérale de Crédit Mutuel (CF de CM), which holds 92.99% of the share capital (directly and indirectly).

In determining the composition of the Board of Directors a number of guiding principles are applied.

1. Incompatibilities and prohibitions: at the time of his appointment or reappointment each director signs a sworn statement confirming that he is legally entitled to fulfill his duties.

2. Age limit: the composition of the Board reflects a provision defined in the articles of association, whereby the number of directors over the age of 70 may not exceed one third of directors.

3. Plurality of employment contracts: no director has a contract of employment with the company and its controlled subsidiaries (except for directors who represent employees, who are not affected by the rules concerning concurrent directorships and employment contracts).

4. Application of the principle of balanced representation of women and men on the Board of Directors: French law no 2011-103 of January 27, 2011 (the "Copé – Zimmermann law") as amended in 2014 and in force as at January 1, 2017, does not apply to BFCM (employee threshold not met).

5. Independent directors: BFCM has a Board of Directors made up of shareholding members elected by their peers at Shareholders' Meetings as members of the Board of Directors or Supervisory Board of the local cooperative bank. These elected shareholding members of local cooperative banks may subsequently be elected by their peers to Crédit Mutuel regional cooperative banks, districts and/or federations across the territory covered by Crédit Mutuel-CM11. These elected officials are subject to a number of cooperative principles and values specific to the Crédit Mutuel Group, such as compliance with rules set out in a code of ethics and professional conduct, including respect for values and regulations, respect for persons, the duty of good management, training obligations, confidentiality, the duty of discretion, voluntary work and the independence of elected officials, and the prevention of conflicts of interest. As such, they perform their duties independently and with integrity and honesty.

II.2.1.2 – The work of the Board in 2016

The Board of Directors meets at least three times a year in accordance with a pre-established calendar.

Each agenda item has a corresponding file or factsheet depending on its scale to provide Board members with the necessary information. Detailed minutes are prepared, recording deliberations, resolutions and voting.

The Board of Directors met four times in 2016. The attendance rate varied between 67% and 89% (averaging 78%).

The February 25 meeting mainly focused on reviewing and approving the financial statements and preparing for the Ordinary Shareholders' Meeting that was held on May 11. The Board examined the financial statements for fiscal year 2015, heard the conclusions of the Statutory Auditors and took note of the Group Audit and Financial Statements Committee report of February 22. In terms of the parent company's activities, the Board decided to renew for one year the bond issuance authorizations and the negotiable debt security programs that BFCM is able to carry out.

The Board took note of the approval of the Appointments Committee's approval, at its meeting of February 16, 2016, of the appointment of Daniel Rocipon to replace Albert Peccoux. It also decided to grant an additional profit-sharing bonus of 0.5% of payroll.

In its second meeting, on July 28, the Board of Directors approved the interim consolidated financial statements of the BFCM Group for the first half of 2016, after taking note of the opinion of the Audit and Financial Statements Committee at its meeting of July 27 and hearing the statutory auditors' report. The Board reappointed Yves Blanc and Dominique Trinquet and decided to appoint Alain Pupel to replace René Barthalay and Claude Courtois to replace Jean-Pierre Brunel as non-voting directors for a three-year term. The Board approved the report of the Group Risk Monitoring Committee dated April 6, 2016, the operating rules of the Market Risk Committee and the Group's private banking sector policies. It also took note of the reclassification and continuation of regulated agreements. Finally, the Board approved the affiliation of five Crédit Mutuel cooperative banks.

Meeting on 18 November 2016, the Board of Directors examined the Group's situation at the end of third quarter of 2016 and the budget. The Board took note of the reports of the Audit and Financial Statements Committee dated September 12, 2016, of the Risk Monitoring Committee dated October 19, 2016, and of the Appointments Committee and the Remuneration Committee dated November 17, 2016. The Board approved the networks' and business lines' periodic control charters and took note of the new compliance guidelines. It decided to reappoint Aimée Brutus as non-voting director for a three-year term.

At its final meeting for the year on December 8, the Board of Directors agreed, authorized and approved the signing of the draft agreement for the merger of the German company CM Akquisitions GmbH with Banque Fédérative de Crédit Mutuel S.A. The powers required to carry out the operation were granted at the meeting.

II.2.1.3 - Operation of the Board. Executive Management operating methods

Internal committees

The Board is supported by four specialized committees set up on a group basis by the Board of Directors of Caisse Fédérale de Crédit Mutuel, which appoints all or some of their members. These committees may invite any technical expert or representative of an entity within the Group as part of their work. The Board is regularly informed of the work of these committees.

Remuneration Committee

Following the transposition of Directive CRD4, particularly Article 88 thereof, and in accordance with Article L. 511-89 of the French Monetary and Financial Code, the Board of Directors meeting on February 27, 2015 created a new internal specialized committee with four members. Their term of office is three years, expiring at the end of the first half of the calendar year constituting the third anniversary of the start of their term of office.

This committee is responsible, on the one hand, for examining the status and remuneration of the Chairman of the Board of Directors and members of General Management and making any appropriate proposals to the Board on the subject, and, on the other hand, for preparing the Board's deliberations on the principles of the remuneration policy for CF de CM's regulated population, issuing an opinion on Executive Management's proposals in this area and on their implementation, and carrying out an annual review of this policy and reporting on it to the Board.

In this respect, the committee draws on the work of the general secretary of the Caisse Fédérale de Crédit Mutuel, in liaison with the Risk Department and the Human Resources Department. The general secretary of the Caisse Fédérale de Crédit Mutuel performs the secretarial function at meetings of the committee.

The members of the committee are:

- Jacques Humbert, Chairman
- André Gerwig
- Gérard Bontoux

- Bernard Flouriot

Appointments Committee

Following the transposition of Directive CRD4, particularly Article 88 thereof, and in accordance with Article L. 511-89 of the French Monetary and Financial Code, the Board of Directors meeting on February 27, 2015 created a new internal specialized committee with four members. Their term of office is three years, expiring at the end of the first half of the calendar year constituting the third anniversary of the start of their term of office.

This committee's remit is to:

- identify appropriate candidates for directorships and make recommendations to the Board of Directors;
- assess the balance and diversity of the knowledge, skills and experience possessed both individually and collectively by the Board's members;
- specify the duties and the qualifications required for the functions performed within the Board and assess the time required to perform those functions;
- set a target for gender balance within the Board and develop a policy aimed at achieving that target;
- periodically review, at least once a year, the Board's structure, size, composition and efficiency in the light of its duties and make appropriate recommendations to the Board;
- periodically assess, at least once a year, the knowledge, skills and experience possessed both individually and collectively by the Board's members and report on these to the Board;
- periodically review the Board's policies with regard to selecting and appointing effective managers and the heads of the key functions and make recommendations in this area;
- check that the Board is not dominated by an individual or small group of individuals in conditions that would be harmful to the bank's interests.

In this respect, the Committee draws on the work of the general secretary of the Caisse Fédérale de Crédit Mutuel, in liaison with the Risk Department and the Human Resources Department. The secretariat for committee meetings is held by the general secretary of the Caisse Fédérale de Crédit Mutuel.

The members of the committee are:

- Jacques Humbert, Chairman
- André Gerwig
- Gérard Bontoux
- Bernard Flouriot

Group Audit and Financial Statements Committee

To satisfy the requirements resulting from the transposition of EU Directive 2006/43/EC on statutory audits of annual financial statements and consolidated financial statements by Order No. 20081278 of December 8, 2008, Article L. 512-1-1 of the French Commercial Code, as well as those resulting from Regulation 97-02 (which subsequently became the Decree of November 3, 2014) relating to the internal control of credit institutions and investment firms, an Audit and Financial Statements Committee was formed in June 2009 at the CM5 level, which subsequently became Crédit Mutuel-CM11 (see internal control procedures below).

The Board of Directors of Caisse Fédérale de Crédit Mutuel is represented in this body by two of its members and one non-voting director:

- Jacques Humbert
- Damien Lievens
- Jean-François Jouffray

Maurice Corgini, a director of BFCM, is a member of this committee and participates in its work.

Risk Monitoring Committee

This committee is formed at group level and is made up of members of the governing bodies (see internal control procedures below).

The Board of Directors of Caisse Fédérale de Crédit Mutuel is represented in this body by five of its members and two non-voting directors:

- Nicolas Théry
- Jean-Louis Boisson
- Gérard Bontoux
- Daniel Rocipon
- Michel Vieux
- Jean-François Jouffray
- Jean-Paul Panzani

Nicolas Théry, Jean-Louis Boisson, Gérard Bontoux, Daniel Rocipon and Michel Vieux are also directors of BFCM, and participate in that committee's work.

Ethics and compliance

The code of ethics currently applied by the Crédit Mutuel-CM11 Group was approved by the Supervisory Board at its meeting of February 21, 2008.

This reference document, which brings together all the regulatory provisions regarding ethics, outlines the principles to be followed by all Group entities and employees in carrying on their activities. It forms part of the general objectives established by the Group concerning quality of customer service, integrity and rigor in handling transactions, and compliance with regulations. It is designed to serve as a reference in this field and to be adopted by the various entities.

Compliance with ethical rules applies not only to employees in the context of their duties but also to the entity to which they belong. The entity must ensure that it applies the principles set out above relating to the values that the Group subscribes to as a whole.

This code is supplemented by provisions relating to the fight against corruption and two specific sets of rules on the security of information systems and the fight against violence and harassment at work.

The code of ethics may be consulted at the General Secretary's office.

Regular reminders are issued on the rules applying to persons holding inside information. Board members have also been advised that they must make declarations to the AMF and the BFCM.

Principles and rules for the remuneration of corporate officers:

As a result of the change in the directors and corporate officers of CIC and BFCM, the respective boards of the two companies, at meetings on February 26, 2015 for BFCM and December 11, 2014 for CIC, defined the new remuneration policies for these officers and the commitments made to them. This remuneration policy was approved by the Shareholders' Meeting on May 27, 2015.

CIC's Board of Directors also approved the overall remuneration policy for staff whose professional activities are likely to have a significant impact on the institution's risk profile.

This general policy takes account of Article 104 of the Decree of November 3, 2014, Articles L. 511-89 et seq. of the French Monetary and Financial Code, and Commission Delegated Regulation (EU) No 604/2014 of March 4, 2014, which sets out the appropriate qualitative and quantitative criteria for identifying these categories of staff.

The latest version of the note on the remuneration policy for risk-takers was approved by the Board of Directors on November 18, 2016.

In view of the cooperative structure and values in effect within the Crédit Mutuel-CM11 Group, directors work on a voluntary basis and are entitled only to the reimbursement of expenses incurred in connection with their duties.

II.2.2 - Internal control and risk management system

As a credit institution regulated by the Autorité de Contrôle Prudentiel et de Résolution (French banking and supervisory authority – ACPR), BFCM applies the provisions of the Decree of November 3, 2014. Its internal control and risk management system are part of the overall internal control system implemented by Crédit Mutuel-CM11.

The work undertaken in the area of internal control and risk management is aimed at ensuring the application of all the rules defined by the regulatory authorities for the exercise of the Group’s activities, based on the internal policies and the tools, guidelines and procedures implemented for that purpose. This report was therefore drafted with the assistance of the departments responsible for internal control and risk management by taking all actions required for its preparation and, where necessary, by referring to the reference framework and the application handbook recommended by the AMF.

II.2.2.1 – Crédit Mutuel-CM11 Group's overall internal control system

The internal control and risk management system is an integral part of the group’s organization. Its purpose is to ensure compliance with regulatory requirements, proper risk management, secure transactions and improved performance.

II.2.2.1.1 - A common, structured and independent system

The Group aims to have a system that is appropriate for the Group’s size, its operations and the scale of its risk exposure.

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

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

The organization implemented serves mainly to verify the quality and comprehensiveness of the internal control system. The Group aims to ensure, for both itself and the companies it controls, that the system in place is based on a set of operational procedures and limits consistent with regulatory requirements and the approved policies. To this end, it relies on the methods and tools defined at Group level and on generally accepted practices in the area of inspection and control.

One constant objective that guides the actions of all the Group's internal control departments is to identify the main risks based on guidelines and risk mapping and to monitor them with appropriate limits, formalized procedures and dedicated tools. In addition to their efforts to identify and minimize risks, these departments are involved in the work aimed at enhancing risk management.

In parallel to this, the analysis tools and monitoring reports make it possible to review on a regular basis the Group's risk exposure related to its activities, including counterparty, market, liquidity, ALM and operational risks. In accordance with regulatory requirements, a risk assessment and monitoring report is prepared annually along with the internal control report. This report entails an in-depth review of the risk management system.

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

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

II.2.2.1.2 - Organization of controls

Crédit Mutuel-CM11 Group's control system satisfies a twofold objective:

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

Breakdown by type of control

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

- periodic control for in-depth inspection-type audits performed as part of a control cycle over several years;
- permanent controls for all work of a recurring nature performed with remote control tools;

- compliance control, in particular for all matters related to the application of regulatory requirements and internal policies *(anti-money laundering, controls of investment services, regulatory watch, ethics, protection of customers' interests, etc.)*..

To perform their functions, the heads of the control departments have permanent and unrestricted access to individuals, premises, hardware, software and information of any kind throughout the Group. They may delegate any or all of their rights to their employees as needed for specific assignments.

Periodic control is responsible for ensuring the overall quality of the entire internal control system, effective risk management and monitoring, and the efficiency of permanent and compliance controls.

Division between networks and business lines

Controls are divided into two functions, one dealing with the retail banking network (Crédit Mutuel federations, CIC regional banks, BECM, Targobank Germany and Spain) and the other with the business lines (commercial banking, capital markets activities, asset management, financial services, cash management, etc.), with a manager appointed for each at the Group level.

From January 1, 2016, both branches of permanent control – networks and business lines – will report to a single national manager, while retaining their specific organizational structure. This change intends to gradually lead to a redefinition of the tasks of the Group's central permanent control function.

A common support division for the various types of control

This division dedicated to control functions is charged with:

- developing and upgrading the tools needed for effective control, in liaison with Euro Information's development teams;
- ensuring development of the reporting tools needed for monitoring control operations and audits and for informing the management bodies at the central and local levels (regions and subsidiaries);
- ensuring that the control tools among the various control functions complement each other for optimal coverage of the Group's risks.

The support division relies largely on the Group's information systems.

II.2.2.1.3 - Oversight of the system by the Group's Control and Compliance Committee

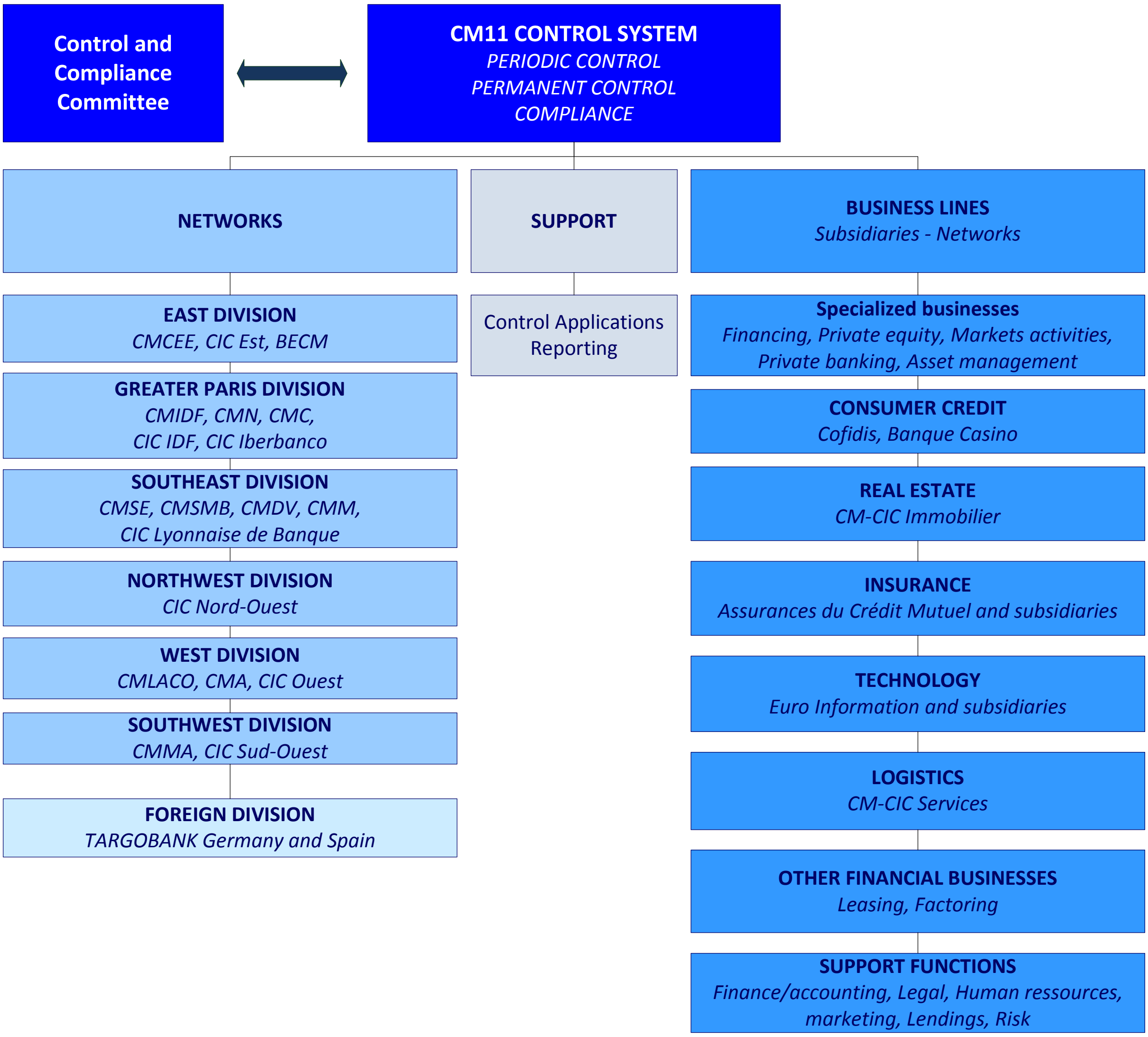
At least four times a year, the Control and Compliance Committee brings together the heads of network and business line periodic controls, the head of Compliance and the Chief Risk Officer. The Control and Compliance Committee is led and coordinated by an effective manager. It has the following powers:

- approving the control plans, examining the results of the audits performed by the periodic control departments as well as the work carried out by permanent control and the compliance function, and, if necessary, making recommendations to the effective managers on improvements required;
- analyzing the findings of external control audits, including those of the regulatory authorities, and monitoring the implementation of recommendations by the Group's entities;
- ensuring that the actions and tasks of the various control and compliance participants complement each other;
- validating all new control procedures or changes affecting the organization of control functions (e.g. review of periodic controls organizational chart in accordance with an undertaking given to the ECB).

The Control and Compliance Committee met four times in 2016 (March 7, June 6, October 3 and November 28).

The Control and Compliance Committee reports to the Group Audit and Financial Statements Committee through its Chairman, the various persons responsible for control functions and the Chief Risk Officer.

Summary chart of the existing organization



II.2.2.1.4 - Group Audit and Financial Statements Committee

To satisfy the requirements resulting from the transposition of EU Directive 2006/43/EC on statutory audits of annual financial statements and consolidated financial statements by Order No. 20081278 of December 8, 2008, as well as those resulting from the new governance standards, a Crédit Mutuel-CM11 Audit and Financial Statements Committee was formed at the Group level. The Audit and Financial Statements Committee reports to the Caisse Fédérale de Crédit Mutuel, which is the entity from which consolidated oversight is exercised and the head of the body in term of capital ownership.

The Group Audit and Financial Statements Committee consists of directors representing the Crédit Mutuel federations that are members of Caisse Fédérale de Crédit Mutuel (in principle, one per federation), one representative of BFCM and two members of CIC's Board of Directors. The Committee elects a Chairman from among its members for a three-year period that can be renewed once.

The independence of the Committee members is ensured by the fact that they all come from the Group's cooperative banking level and are therefore elected by the stock-owning members of their respective local cooperative bank. This independence is reinforced by the fact that members of the Audit and Financial Statements Committee are not paid.

Members of the Audit and Financial Statements Committee have unrestricted access to the heads of the various control functions (periodic, permanent and compliance) and may also call upon the operational managers depending on the issues concerned. The Statutory Auditors participate in Audit and Financial Statements Committee meetings held to approve the annual and interim financial statements.

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

- reviews the provisional internal control program;

- receives the consolidated annual internal control and risk monitoring report as well as the half-yearly internal control report;
- is informed of the findings of the main audits performed by the periodic control department as well as the results of the permanent and compliance controls;
- is informed of the findings of external controls, including any changes recommended by the regulatory authorities;
- is informed of actions taken to follow up on the main recommendations made in the internal and external control reports;
- assesses the efficiency of the internal control systems.

Regarding the financial statements and financial information, the Group Audit and Financial Statements Committee:

- is responsible for monitoring the financial reporting process;
- oversees the statutory audit of the annual financial statements and consolidated financial statements;
- participates in the choice of statutory auditors and has unrestricted access to them in order to be informed of their work plan, ensure that they are capable of conducting their audit and discuss with them the findings of their audit;
- reviews the annual and consolidated financial statements;
- assesses the conditions under which they are prepared and ensures the relevance and continuity of the accounting policies and methods.

In terms of risks, the Audit and Financial Statements Committee:

- examines the Group's exposure to risks based on normalized and periodic reporting of counterparty, market, interest rate and liquidity risks and more generally all of the risks to which the Group is exposed;
- examines the risk-taking policies, the general risk management strategies, the limits imposed, the cost of risk and the related control methods as well as the crisis management policy.

The Audit and Financial Statements Committee met four times in 2016 (February 22, May 9, July 27 and September 12). Meetings of sub-committees, made up of members of the Audit and Financial Statements Committee, may also be held on specific subjects defined at the plenary session (a restricted sub-committee met on December 8, 2016 to approve the 2017 control plans for branch network and business line periodic controls).

The Audit and Financial Statements Committee meetings and commission meetings are summarized in reports submitted to the supervisory bodies of the various federations of the Caisse Fédérale de Crédit Mutuel, BFCM and CIC so as to fully inform the directors.

II.2.2.1.5 - The risk management system

The roles of the various risk management bodies, which include the Group Risk Department, a Group Risk Committee and a Group Risk Monitoring Committee, are described below.

Group Risk Department

The role of the Group Risk Department, which regularly analyzes and reviews risks of any type from the standpoint of the return on allocated regulatory capital, is to contribute to the Group's growth and profitability while ensuring the quality of the risk management systems.

To perform the functions assigned to it (particularly as provided by Articles 74 to 83 of the Decree of November 3, 2014), the Group Risk Department has formalized its relations with the risk correspondents on whom it relies and who are present at all the Group's entities. These risk correspondents are appointed by their own departments and can be either the individuals responsible for permanent control at the Crédit Mutuel federations and CIC banks, the risk managers or directors at the subsidiaries and branches, or the individual responsible for monitoring commitments.

The Group Risk Department oversees the Group's risk management function and provides regular reports on this function (general assessment of the risk situation, new prudential requirements and changes, significant events and changes at the Group related to key solvency, liquidity, credit, operational and other risks, and the key points of the quarterly management report) to ensure that the regional management bodies (executive directors and supervisory bodies) are properly informed.

The Risk Department also coordinates the follow-up of the implementation of recommendations from regulatory authority audits, using the PRECO tool.

Group Risk Committee

This committee meets quarterly and includes the operational risk managers, heads of the business lines, the Group Risk Department and Executive Management. The head of the Group Risk Department presents and comments on a full management report covering all types of risks (credit, operational, market, compliance, etc.) related to banking activities and non-banking activities (e.g. insurance). This committee is responsible for ex-post and ex-ante measurement and overall monitoring of risks, and gives Executive Management the information needed for detailed and thorough monitoring of the Group's risks.

The Group Risk Monitoring Committee

This committee consists of directors representing the federations affiliated to the Caisse Fédérale de Crédit Mutuel and meets on a twice-yearly basis in order to:

- carry out a comprehensive review of the risks that the Group is exposed to (covering banking and non-banking entities in France and abroad);
- examine risk exposure in terms of quality, ratings, concentration and impairment of value;
- analyze short- and medium-term liquidity ratios and monitor changes in these ratios, particularly within the framework of the internal liquidity adequacy assessment process (ILAAP);
- examine changes in the main regulatory and operating ratios and especially those related to capital consumption by business line and entity, solvency and leverage ratios and compliance with the amounts allocated by the governing bodies, particularly within the framework of the internal capital adequacy assessment process (ICAAP); and
- interpret the development of results in the context of changes in risk, results and capital consumption, and examine the evolution of external ratings.

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

The head of the Group Risk Department chairs the committee meetings and is responsible for presenting the files prepared for the various risk areas based on the work of the Group Risk Committee. Executive management also participates in the meetings of this committee, which may also invite the heads of the business lines that have a stake in the items on the meeting agenda.

In 2015, the Group Risk Monitoring Committee approved the Crédit Mutuel-CM11 Group's "Risk Tolerance Policy", which constitutes a general framework setting out core principles with regard to risk. These principles derive from the Group's mutualist identity and its choice of the retail bancassurance model. This document is part of the implementation of Basel III standards, which stipulate that banks must develop a risk appetite or tolerance policy, the principles of which were established by the Financial Stability Board on November 18, 2013 in its document "Principles for an effective risk appetite framework".

Amendments were made to the internal rules of the Group Risk Monitoring Committee and submitted to the approval of the Board of Directors of the Caisse Fédérale de Crédit Mutuel on July 31, 2015.

II.2.2.2 - Internal control procedures specific to BFCM

BFCM is the parent company of the BFCM Group, and is owned by Caisse Fédérale de Crédit Mutuel and the local cooperative banks of Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi Atlantique, Normandie, Dauphiné-Vivarais, Méditerranée and Loire-Atlantique Centre-Ouest. BFCM manages the investments held in the BFCM Group's specialized subsidiaries, all of which are subject to the internal control system described in this report.

An integral part of the Crédit Mutuel-CM11 Group, BFCM has also implemented an internal control system for the activities it manages at its level, which satisfies the same risk prevention and management objectives.

BFCM manages the cash assets of Crédit Mutuel and CIC and operates in the financial markets. It is engaged in financial engineering and manages relations with the international partners.

CM-CIC Marchés consolidates all of the Crédit Mutuel CM11 Group's capital markets activities in order to refinance the Group as a whole and manage its liquidity assets through a centralized cash management team, develop the Group's capacity to sell capital markets products to customers, and strengthen its proprietary trading activity.

The monitoring methods, procedures and limit system are covered by a set of rules. The Board of Directors of CIC and the Board of Directors of BFCM approve the strategy of each business line (refinancing, commercial, proprietary trading), capital allocation, limits monitoring and budgets. In this system, capital markets activities are overseen by several units:

- The CM-CIC Marchés department defines the strategy, analyzes the activity, results, risks and compliance with limits and coordinates operational aspects (information system, budget, human resources, procedures);
- The Capital Markets Risk Committee, which meets monthly, monitors compliance with the set of rules and decisions of the CM-CIC Marchés department and validates the operational limits within the general limits set by the Board of Directors of CIC and BFCM;
- The CM-CIC Marchés Credit Committee, which meets weekly, is responsible for approving credit line requests under delegations of authority granted by the Group's Loan Origination Committee.

The internal control system is supported, on the one hand, by the work of the back and middle-office departments, which are responsible for the control of risks and results and for accounting and regulatory control, and, on the other hand, by a team that monitors capital markets activities, which reports to the head of the business line permanent control department, and by the compliance function.

Just as they consolidated their capital markets activities under one roof, BFCM and CIC also combined their large accounts activity within CM-CIC Large Accounts by harmonizing their applications and procedures.

A joint internal control team for Corporate Banking (Large Accounts, Specialized Financing and International) was set up in February 2012 and reports directly to the Deputy Chief Operating Officer of CIC and head of the Group's Specialized Businesses division. Functionally, the team reports to the head of Business Line Permanent Control with regard to permanent controls and to the head of Group Compliance with regard to compliance and AML/CTF (anti-money laundering and counter-terrorism financing).

An Internal Control Coordination Committee meets quarterly and is charged with:

- monitoring all three departments' activities over the previous quarter in relation to permanent control and compliance; and
- deciding upon the Internal Control team's priorities and tasks and following them up.

A separation of functions exists between the sales teams, the structuring and syndication teams and the control team.

The separation between the sales teams and the structuring teams helps to ensure that transactions comply with the decisions made by the Lending Committees and to verify funding conditions. The independence of the syndication team – which reports directly to Specialized Financing – from the sales teams helps provide an unbiased view of syndication risk to the relevant Lending Committee.

The internal control team helps strengthen the function's independence vis-à-vis the operational departments. Internal control activities are monitored on a quarterly basis by Business Line Permanent Control and on an ad hoc basis by Group Compliance.

BFCM handles the depositary activity of the Group's management companies as well as external management companies specialized in capital investment and securitization. The depository control plan is based on the definition of a set of control tasks and is submitted to the BFCM Business Line Permanent Control and Compliance departments.

This plan enhances the customer risk and product risk approach by implementing a controlled new customer relationship process and a controlled analysis process when a mutual fund is created or modified. It makes it possible to perform comprehensive ex-post control and identify all risks related to fund management.

This plan enhances the customer risk and product risk approach by implementing a controlled new customer relationship process and a controlled analysis process when a mutual fund is created or modified. It makes it possible to perform comprehensive ex-post control and identify all risks related to fund management.

The ethics rules are integrated into a code of ethics that includes both the general principles and the specific measures implemented in connection with BFCM's activities. This code also includes the fundamental principles of putting the customer's interests first and respecting market integrity.

As part of operational risk management, operational risks resulting from capital markets activities were assessed. BFCM is involved in updating the mapping of its specific risks and the related valuation models.

The CM-CIC Large Accounts Emergency and Business Continuity Plan (EBCP) has also been defined and is regularly updated. This is a "level 2" plan. The majority of employees have laptop computers that allow them to work remotely or at a back-up site in the event the EBCP is activated for the department.

The Periodic Control Department performs periodic controls on a multi-year basis. The findings of these audits are presented to the Control and Compliance Committee and the Group Audit and Financial Statements Committee. They are also provided in the annual report submitted to the Autorité de Contrôle Prudentiel et de Résolution (French banking and insurance supervisory authority – ACPR). The audits may be general or specific in nature.

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

II.2.2.3.1 - Role of the governance bodies and the Group Audit and Financial Statements Committee

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

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

The accounting principles used by the Group to consolidate the financial statements are explained in detail in the notes to the financial statements.

The accounting processes are presented regularly to the Group Audit and Financial Statements Committee, which is independent from the Finance Department and responsible for reviewing the process for preparing the financial statements and financial information published by the Group.

During the year, the information presented to the Group Audit and Financial Statements Committee concerned:

In the first half of 2016:

- the 2015 annual company financial statements of Fédération du Crédit Mutuel Centre Est Europe as well as the 2015 consolidated financial statements of the CM11 regulatory scope;
- the IFRS 2015 annual consolidated financial statements of the CIC Group, the BFCM Group and the Crédit Mutuel-CM11 Group and their in-depth analysis (consolidation scopes, analysis of the key balance sheet items, equity and solvency, intermediate balances, results by business line, general operating expenses, actual net provisioning for known risks and provisions).

In the second half of 2016:

- the presentation and analysis of the consolidated financial statements for the period ended June 30, 2016 for the CIC Group, the BFCM Group and the Crédit Mutuel-CM11 Group;
- the presentation of new accounting standards and interpretations applicable to years beginning on or after January 1, 2016;

- changes in the consolidation scope, including the acquisition of General Electric's leasing and factoring activities in France and Germany;
- the audit reforms pursuant to the Order of March 17, 2016 (including the mandatory rotation of auditing firms for public interest entities).

II.2.2.3.2 - Specific characteristics of the banking activity

Oversight of the accounting and financial organization is structured in a way that addresses the specific characteristics of a credit institution's activities:

- nearly all the financial transactions carried out by a bank result in a monetary flow or a commitment that needs to be accounted for;
- a significant volume of accounting entries is based on fully automated recording processes for the completed transactions;
- unlike industrial and commercial companies, a credit institution's accounting entries are decentralized within the entire organization and not within a single accounting department.

The vast majority of accounting entries are therefore completed by the information system based on predefined procedures. These automated procedures are designed to ensure:

- the comprehensiveness, actuality, measurement and proper classification of the accounting depiction of the completed financial transactions;
- prevention of fraud risk by predefining, on a centralized basis, the transactions that each participant is authorized to complete;
- fast, regular accounting centralization, with entries recorded in real time or at least once every business day in the case of batch processing; and
- de facto standardization of accounting data among all the Group's companies.

II.2.2.3.3 - Accounting system

Accounting architecture

The Group shares a common IT platform with 15 Crédit Mutuel federations and the CIC banks, which includes common accounting and regulatory functionality related in particular to:

- the chart of accounts, whose structure is the same for all institutions administered on this platform;
- the definition of automated processes and procedures shared by all the banks (means of payment, deposits and credits, recurring transactions, etc.);
- reporting tools (SURFI, transfer of data to the consolidation software applications, etc.) and management tools (management control).

In this context, the administration of the common accounting information system is entrusted to dedicated divisions, the "Accounting Procedures and Processes" divisions, which are autonomous units within either the "retail banking/ networks" Crédit Mutuel-CM11 Group Finance Department or the "specialized functions-business lines" Crédit Mutuel-CM11 Group Finance Department, as the case may be.

These divisions are responsible in particular for:

- managing the common chart of accounts (account creation, definition of account characteristics, etc.);
- defining common accounting procedures and processes, in accordance with tax and regulatory requirements. To this end and where necessary, the company's tax department is consulted and creation of the processes is subject to a validation procedure involving various operational managers.

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

Within the company, all accounts must be assigned to an operational department which will be responsible for their operation and control; in this way, no account can be overlooked or lack a clearly designated department responsible for monitoring it.

The organization and procedures in place ensure compliance with Article 85 of the Decree of November 3, 2014 and the existence of an audit trail.

Chart of accounts

The chart of accounts is based on two main types of accounts: third-party accounts, which track deposits and receivables of individual third parties, and financial accounting accounts. The use of dedicated accounts for deposits from and loans to third parties makes it possible to monitor them. With respect to securities custody, CM-CIC Titres uses "substance" accounting, which distinguishes between third-party and proprietary securities ownership (investments in non-consolidated companies), and external segregation when custody is no longer provided by the Group ("refinancing and capital markets" activity).

All the credit institutions administered on the common IT platform use the same chart of accounts (Nouveau Plan de Comptes Interne – new internal chart of accounts or NPCI), which is administered by the "Accounting Procedures and Processes" division.

This chart of accounts defines the account properties with respect to the following areas in particular:

- regulatory attributes (consistency with the French chart of accounts for credit institutions related to prudential regulatory reports, link to the item of the publishable financial statements, etc.);
- certain tax characteristics (VAT position, etc.);
- management control characteristics (mandatory or non-mandatory presence, link to the consolidation chart of accounts, retention period for online transactions, presence at headquarters/branch, etc.).

Processing tools

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

There are also several specialized applications, either external or internal, including in particular a management report production application, a trial balance and financial statements production application, a utility for processing file queries, a consolidation application, a regulatory financial statements processing application, an asset management application and tax reporting applications.

Automated controls

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

Internal applications are used to check the day's accounting entries and detect any anomalies.

A dedicated application for checking automated accounts has been deployed since 2010 to manage ceiling limits on accounting entries, which are broken down by account type (third-party/financial accounting), entry type (debit/credit), IT application code, entity and the entity's business sector. The application has two levels of control related to:

- a limit threshold;
- a warning threshold.

The control applies to real-time or night-time processing for all applications that do not require validation of entries on the basis of the "four eyes" principle. If a threshold is exceeded, the accounting entry is blocked and moved to an accrual account.

After analysis, the user may:

- in case of a "warning" level, validate the entry after the control;
- in case of a "limit" level, complete the transaction only if approved in accordance with the "four eyes" principle.

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

II.2.2.4 - Internal control in the preparation of individual financial statements and the consolidation process

II.2.2.4.1 - Controls of closings of individual financial statements

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

This analytical review focuses mainly on:

- the interest margin; for fixed-income instruments (deposits, loans and off-balance sheet items), management control calculates the expected returns and costs based on average capital observed; these results are then compared to the interest rates actually recorded and validated for each business sector;
- the level of fees and commissions; based on business indicators, management control estimates the volume of fees and commissions received and payable, compared to the data recorded;
- general operating expenses (employee expenses and other general operating expenses);
- net additions to/reversals from provisions for loan losses (provisioning level and recorded losses).

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

The daily accounting controls are performed by the appropriate employees at each branch.

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

Furthermore, the control departments (periodic, permanent and compliance) also perform accounting work. An internal control portal dedicated to the accounting function was finalized by the business line permanent control function and its roll-out is underway in the various departments in charge of drawing up the financial statements.

II.2.2.4.2 - Controls of the consolidated financial statements

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

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

The Crédit Mutuel-CM11 Group defines the French (ANC) and international accounting principles and methods (IFRS) to be applied by all the Group's entities in their individual financial statements. The foreign subsidiaries take these principles and methods into account when converting from their local accounting standards to French and international standards in the consolidation packages and financial reporting.

Individual financial statements based on IFRS are prepared in the central IT system for the entities using the common IT system. Individual financial statements under IFRS are prepared with the same organization and the same team as the individual financial statements drawn up under the French accounting rules and principles (ANC).

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

The consolidated financial statements are prepared on the basis of a schedule sent to all subsidiaries and the Statutory Auditors. This schedule includes, where applicable, changes in procedures or standards to be integrated. At each consolidated subsidiary, the person responsible for closing the subsidiary's financial statements and the person responsible for identifying the inter-company transactions between fully consolidated companies are designated.

The statutory auditors of the consolidated financial statements send simultaneous audit instructions to the statutory auditors of the consolidated companies with the aim of ensuring the subsidiary's compliance with the various standards based on their own professional standards.

The financial statements are consolidated using a dedicated application, one of the leading commercially available standard applications. The transfer of data into the consolidation application (consolidation packages) is partly automated based on an interface developed for the accounting IT system. This allows the trial balances to be retrieved automatically, thereby ensuring consistency between company and consolidated data.

Moreover, the consolidation package cannot be sent by the companies until a number of consistency checks programmed directly into the package have been performed. These control rules (currently more than 600) are developed by the consolidation departments and relate to a number of factors (change in shareholders' equity, provisions, non-current assets, cash flows, etc.). "Blocking" controls prevent the package from being sent by the subsidiary unless an exception has been made by the consolidation departments.

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

Finally, systematic reconciliation reports between company data and consolidated data are prepared with respect to shareholders' equity and income. This process, which ensures a consistent transition between the company and consolidated data, occurs outside the consolidation application, which therefore enables the validation of these consolidated items.

In conclusion, the internal control and accounting risk monitoring system, which is based on common methods and tools, is in line with the organization of the Crédit Mutuel-CM11 Group's controls.

II.2.3 - Limits on the powers of the Chairman and Chief Executive Officer

The Board meeting of November 14, 2014 did not set any limits on the powers of the Chief Executive Officer, as defined by law and by our bylaws and internal rules.

II.2.4 - Principles for determining remuneration granted to the corporate officers

See section *II.1.3 – Remuneration of key executives* in this section.

The Chairman of the Board of Directors

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

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

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
63, rue de Villiers	1/2, place des Saisons
92208 Neuilly-sur-Seine Cedex	92400 Courbevoie – Paris-La Défense 1
S.A.R.L. au capital de € 86.000 (limited liability company)	S.A.S. à capital variable (simplified stock company with variable capital)
Statutory Auditor	Statutory Auditor
Member of the regional association	Member of the regional association
of accountants of Versailles	of accountants of Versailles

Banque Fédérative du Crédit Mutuel

BFCM

Year ended December 31, 2016

Statutory auditors' report, prepared in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), on the report of the Chairman of the Board of Directors of Banque Fédérative du Crédit Mutuel

To the shareholders,

In our capacity as statutory auditors of Banque Fédérative du Crédit Mutuel and in accordance with the requirements of Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by your company's Chairman in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval a report on internal control and risk management procedures implemented by the company and to provide all other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*) related, in particular, to the corporate governance.

Our role is:

- to report on any matters as to the information contained in the Chairman's report regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information, and
- to confirm that this report also includes the other information required by Article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with the professional standards applicable in France.

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

The professional standards require that we perform the necessary procedures to assess the fairness of the information regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman's report. These procedures consist mainly in:

- obtaining un understanding of the internal control and risk management procedures related to the preparation and processing of the accounting and financial information that forms the basis of the information provided in the Chairman's report and of the existing documentation;
- obtaining un understanding of the work involved in preparing this information and the existing documentation;
- determining whether any material weaknesses in the internal control procedures related to the preparation and processing of accounting and financial information identified by us in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman of the Board of Directors' report, prepared in accordance with the requirements of Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other information

We confirm that the Chairman of the Board of Directors' report also contains the other information required by Article L.225-37 of the French Commercial Code (*Code de commerce*).

Neuilly-sur-Seine and Paris-La Défense, April 12, 2017

French original signed by

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Olivier Durand

II.4 - Report on the anti-money laundering and counter terrorist financing policy

II.4.1 - Organization of the policy and employee training

The Group's central "AML/CTF Compliance" function plays a role in implementing the anti-money laundering and counter-terrorist financing (AML/CTF) policy, including coordination, oversight, training, organization and control within the Group. The head of ALM/CTF reports to the head of Compliance, who reports directly to the Group's Executive Management.

To perform the duties assigned to it, the central ALM/CTF function has correspondents within the permanent control and compliance departments of the various regional divisions, business entities and foreign-based entities. These correspondents, particularly the TRACFIN(Traitement du Renseignement et Action contre les Circuits FINanciers clandestins) correspondents and declarers, have a functional reporting line to the central ALM/CTF function. Group Compliance delegates responsibility for the country classification, analysis of embargo regulations and alerts analysis elements of the international financial sanctions system to the International Activities Department's Compliance function

2016 saw the following developments:

Since January 1, 2016 banks have been required to notify TRACFIN of cash deposits or withdrawals of a combined total of over €10,000 in a calendar month (systematic reporting – Communication Systématique d'Information - COSI). Between 600,000 and 700,000 transactions have been reported to TRACFIN in various months. The large number of transactions involved requires additional developments to enable TRACFIN correspondents to search those records and report suspicious transactions when appropriate.

Regarding the TRACFIN computer application:

- the direction of the transaction precedes the transaction amount;
- a flag identifies analysis files and suspicious transaction reports related to terrorism;
- alerts that are less than three months old and that have been confirmed may be added to a current analysis file to avoid a build-up of analysis files;
- the additional grounds in analysis files for rejection or termination of the business relationship have been adapted to take account of reporting requirements for the Anti-Money Laundering Questionnaire (QLB).

Regarding reporting:

- automated retrieval of the statistical section of the QLB (B8) in the TACO control panel. This automation is operational for the 2016 QLB (statistics as of 31 December).

In addition, major work is being undertaken to reflect:

- transposition of the fourth Directive scheduled for the beginning of December 2016, particularly on the inclusion of residents in the notion of politically exposed persons;
- the observations of the ACPR audit of suspicious transaction reporting practices at CF de CM, mainly regarding the system of alerts, the approach taken to customer risk and the consideration of filtering that does not exactly match terrorist filtering;
- the implementation of Regulation No. 2015/847 on the data that must accompany the payer and payee information in transfers and the treatment of non-compliant payment flows (execution, rejection, pending).

At the end of 2016, more than 64% of staff concerned by money laundering risk had followed a face-to-face training course or the self-study course (note that this is updated every two years).

A meeting of the network's TRACFIN correspondents took place on June 28, 2016. The meeting discussed the systematic transaction reporting, the various face-to-face and distance training courses and the oversight assignments.

Recent developments in the TRACFIN application and in the TACO control panel (reporting) as well as the various tools for monitoring international transactions were presented. Feedback was also given on the conclusions of the ACPR audit of suspicious transaction reporting practices at CF de CM. Finally, the International Activities Department’s Compliance function gave a presentation on the system for handling embargos.

The annual AML/CTF seminar was held on November 9 and 10 at the Gâtines training centre. It brought together the heads of the Crédit Mutuel-CM11 Group’s AML/CTF departments as well as participants from the Crédit Mutuel Antilles Guyane, Crédit Mutuel Océan and Crédit Mutuel Maine-Anjou Basse-Normandie local cooperative banks and the Crédit Mutuel Nord Europe Group. This year’s topic was the fight against terrorist financing (CTF). At the seminar, two TRACFIN representatives provided an update on this issue, in terms of both regulations and operations, and on the Crédit Mutuel Group’s reporting activities. Participants from the foreign entities also gave an overview of the context in which CTF operates and the COFIDIS representative provided feedback on the events of 2015. An account was given of changes in laws and regulations (joint guidelines issued by the ACPR and the French Treasury on the freezing of assets, industry principles on AML/CTF obligations in connection with the right of access to banking services, and the Fourth Directive (bis)) and on the development of applications, including processing of systematic reporting of cash transactions (backtesting).

II.4.2 - Risk classification, description of procedures

II.4.2.1 - Classification and duty of vigilance

At the end of December 2016, heightened vigilance measures were taken for 0.26% of customers.

II.4.2.2 - Changes in procedures

In terms of the Group, all procedures were updated in 2016 to provide clarification on the notion of beneficial owner and the freezing of assets and on customers that pose a money laundering risk. The ACPR’s industry principles regarding anti-money laundering and counter-terrorist financing obligations in connection with the right of access to banking services were taken into account.

II.4.3 - Permanent controls

In 2016, at the Group level:

- 217,661 alerts were generated by the applications, nearly 93% of which were processed;
- 27,857 transactions required more in-depth review.

The imposition of international financial sanctions (embargo and counter-terrorist financing measures) is still a focal point.

The average completion rate for first-level control tasks is over 87% and the completion rate for second-level controls carried out by regional AML/CTF heads is 90%.

The control of incoming cash flows within the framework of EC Regulation 1781/2006 continued. There was no need to submit a report to the General Secretariat of the ACPR for any of the Group’s banks for breach of the Regulation’s obligations, as any anomalies had been previously explained following contact with the relevant counterparties.

A monthly "Webcheques validation" control is designed to verify the branch network's proper application of the control procedure for checks issued. The controls and statistics show the proper use of this procedure by the networks in accordance with CRBF regulation 2002-01. The number of branches with discrepancies is low and follow-up action is always taken.

The Group Compliance's program of on-site oversight of the branch network’s entities was repeated in 2016. It is used to check the implementation of the Group AML/CTF system, standardize practices and identify areas for improvement. Significant progress can be seen from year to year. The oversight assignments have now been extended to the business lines and overseas entities.

The various controls are enabling proper coverage of the risk of money laundering and terrorism financing. To correct the anomalies identified, the anti-money laundering departments continue to raise awareness among employees and provide them with training programs and day-to-day assistance regarding preventive measures.

II.4.4 - Main weaknesses identified by the national and foreign regulatory authorities and corrective measures approved

At the end of February 2016, CNCM's Executive Management forwarded follow-up letters from the ACPR on the responses to the 2014 anti-money laundering questionnaires (QLB) for CM-CIC Lease, CM-CIC Bail, Banque Casino, Monabanq, Creatis, Sofemo, C2C, CM-CIC Factor, Cofidis, CIC Nord-Ouest and CIC IBB. Each entity submitted a response, coordinated by the central AML/CTF department.

In an e-mail dated March 29, 2016, the General Secretariat of the ACPR asked what additional due diligence obligations were in place for business relationships entered into remotely. The head of Compliance responded on behalf of the Group on April 8.

The report of the ACPR audit of suspicious-transaction reporting practices at CF de CM (which took place from February to June, including partly at Crédit Mutuel Méditéranéen) was received in August. The Group is awaiting the list of recommendations and findings from the ACPR's Sécrétariat Générale.

III. FINANCIAL INFORMATION about CRÉDIT MUTUEL-CM11 GROUP

III.1 - Presentation of the activities and results of the Crédit Mutuel-CM11 Group[1]

III.1.1 – Introduction

III.1.1.1 - Results and financial situation Results and financial situation

In a banking environment characterized by low interest rates and tougher competition, the Crédit Mutuel-CM11 Group continued to develop its business activities for the benefit of its 23.8 million customers. Once again, it benefited in its performance from its decentralized cooperative organization, its local banking network, its digital solutions and its quality sales offering. The considerable access to credit and sustained high deposit inflows were accompanied by intense business in the insurance, telephonic, remote surveillance and sales activities.

The Group recorded net banking income of €13.302 billion in 2016, up 1.8% at constant scope. Net income attributable to the Group was €2.410 billion in 2016, up 4.8% from 2015 (at constant scope). These results were largely driven by the following factors:

- The net banking income of the retail banking business benefited from the acquisition of the factoring and leasing activities of GE Capital in France and Germany and growth in commission income of 3.5%;
- Net banking income from other banking activities, corporate banking, capital markets and refinancing activities, and private equity (CM-CIC Investissement) rose in 2016;
- Insurance, the Group's second-largest business line, recorded €10.8 billion in revenues, up 2.3% in relation to 2015;
- NBI includes the capital gain from the sale of shares in Visa Europe, which is recorded under the “holding” segment in the amount of €269 million, and capital gains generated on portfolio-related sales which had a positive impact;
- Operating expenses are maintained under strict control and net additions to/reversals from provisions for loan losses fell by 11.5% at constant scope.

The Group's financial structure is solid, with shareholders’ equity of €39.6 billion at the end of 2016. The loan-to-deposit ratio is stable at 119.5% (-0.1 point). The Group's medium- and long-term funding was €84 billion (including ECB TLTROs) compared with €83.1 billion in the previous year. The common equity Tier 1 ratio excluding transitional measures was 15.0% and the capital adequacy ratio (excluding transitional measures) was 18.0% on December 31, 2016, confirming the Group’s financial strength.

III.1.1.2 - Description of certain factors affecting results and the financial situation

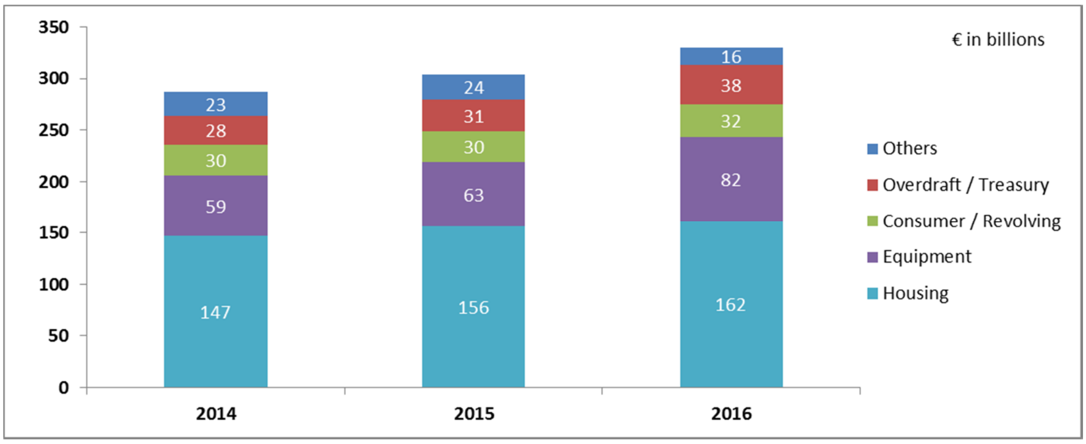
Structure and business segments

The Group’s results and financial situation reflect the significant weight of its retail banking and insurance activities. Retail banking typically accounts for nearly three-fourths of the Group’s total net banking income (69% in 2016). As a general rule, corporate and investment banking, including the proprietary trading activity, as well as private banking and private equity make up only a small part of net banking income. Moreover, the insurance and private banking customers are often also retail banking customers (the retail bank branches market the Group’s insurance products, often in connection with another retail banking service or simply through contacts with the overall banking network, which seeks to develop relationships with customers and offer them the greatest number of services). Acquiring customers through these activities therefore often improves the income of the retail banking activity through fees and commissions paid to the distribution networks and the cross-selling of products.

The Group’s activity is concentrated in France, which accounts for approximately three-fourths of total net banking income (78% in 2016). Outside of France, the Group has significant activities in Germany and, to a lesser extent, in Spain. It also has investments in North Africa. The Group is not present in Greece. CIC also has international branches in London, New York and Singapore, and representative offices in several other countries. These international activities typically account for only a small portion of the Group’s overall net banking income.

[1] *For details of changes at constant scope and a definition of the alternative performance indicators used, refer to the methodology descriptions at the end of this section.*

Home loans represent approximately one-half of all the Group’s customer loans. The following chart shows the types of loans made by the Group in 2014, 2015 and 2016.



The Group's net interest income includes net interest on regulated savings accounts (*Livret A and Livret Bleu*), which represented 9% of customer deposits on December 31, 2016. Most of the deposits made by customers into these accounts are transferred to Caisse des Dépôts et Consignations (CDC), a financial institution owned by the French government whose mission is to finance public programs such as the construction of social housing. CDC pays a fixed amount of interest that is added to the interest rate offered on these savings accounts. Since the CDC offers a fixed interest, the share of regulated savings accounts in the Group’s total customer deposits may affect average interest income.

Administrative costs

The Group carefully monitors its administrative costs by seeking to automate, whenever possible, the processes implemented by the retail banks in order to enhance operating productivity. Nearly all of the Group’s entities use the same IT system, which generates substantial efficiency gains. Moreover, retail banking employees have an incentive to promote all of the Group’s products and services instead of specializing in any single product line. Thanks to the Group’s efforts, the cost/income ratio has remained below the average of the five largest French banks despite the negative effects of tax and social security regulations.

Cost of risk

Net additions to/reversals from provisions for loan losses are relatively limited in light of the Group’s business model based on retail banking, a conservative risk management approach and discipline in managing and monitoring risk. To the extent that the Group’s activities are largely concentrated in France, country risk provisions are generally low. Net additions to/reversals from provisions for loan losses reflect the consumer credit activities of Targobank Germany and Cofidis, whose cost of risk is greater than that of the Crédit Mutuel and CIC networks.

European sovereign debt exposure

In 2012, the Group sold the balance of its sovereign Greek debt as part of a private sector involvement plan announced on February 21, 2012. This transaction generated a loss of €34 million (€21 million after tax). The Group then sought to reduce its exposure to any remaining sovereign debt, which is relatively limited. The following table presents the Group’s exposure to the most fragile sovereign debt as of December 31, 2015 and 2016:

(€ millions)	As of December 31, 2016	As of December 31, 2015
Greece	0	0
Portugal	99	102
Ireland	162	102
Total exposure to Greece, Portugal and Ireland	**261**	**204**
Italy	1 381	973
Spain	462	488
Total exposure to Italy and Spain	**1 843**	**1 461**

As of December 31, 2016, all Greek, Portuguese and Irish sovereign debt issues held by the Group represented 0.7% of shareholders' equity. Further information on the Group's European sovereign debt exposure is provided in Note 7c to the Crédit Mutuel-CM11 Group's 2016 financial statements.

Capital structure

Given the Group's status as a mutual bank, its equity is held by the local mutual branches, which in turn are owned by their stock-owning members. The Group's net income is largely appropriated to reserves, with stock-owning members receiving fixed compensation determined each year for their B class shares ("B shares"). Approximately 95% of net income is typically allocated to reserves, with the balance distributed to members.

The Group regularly encourages members to subscribe for new shares through advertising campaigns. The shares are a means of enhancing customer loyalty while at the same time providing a steady stream of fresh capital. Insofar as the Group is not listed on the stock exchange, however, it cannot raise capital through public offerings. Information on the Group's regulatory capital adequacy requirements is presented in section IV – Information on Pillar 3 of the Basel Accords.

III.1.2 – Activities and results of the Crédit Mutuel-CM11 Group

Global growth remained moderate in 2016, impacted by persistent difficulties affecting the emerging countries while the developed countries continued to benefit from the low oil price and very low interest rates. Donald Trump's election as the president of the United States and the rise in the oil price throughout the year have changed the situation and paved the way for further more pronounced differences in 2017. This is already evident in the area of monetary policy, with the Fed hardening its stance on the one hand, and a resolutely accommodative stance by the other main central banks on the other.

Fears rekindled at the start of the year

Already in early January, the rapid drop in the yuan and Chinese foreign exchange reserves coupled with a weak US manufacturing sector sparked fears about global growth. This led to a fall in the financial markets and a tumble in oil prices which hit a low of $27 (WTI – West Texas Intermediate) in mid-February. The specter of deflation thus arrived on the horizon, underpinned by the monetary policy drives of the central banks, with the Fed taking a prudent approach, the ECB implementing decisive policies and the Bank of Japan opting for creative measures. In March, the ECB announced new measures, including a further cut in its key interest rates, an increase in its monthly asset purchases to €80 billion, the inclusion of corporate bonds issued by non-financial companies, and a new long-term lending program for banks.

In the second quarter, global growth proved more resilient than expected, notably with a rebound in activity in China. The Chinese authorities showed that they could continue to control growth via traditional economic stimulus measures, in particular the use of bank lending and measures to support the property sector. The activity slowdown in the euro zone bottomed out thanks to an acceleration of investment which offset the downturn in consumption and external trade. Nevertheless, uncertainty prevailed with regard to the Brexit referendum, prompting prudence both in the US and Asia. As a consequence, the Fed was able to justify maintaining an accommodative monetary policy while Japan encountered difficulties because of the appreciation of its currency, with investors looking to the yen as a safe haven.

Brexit focused everyone's attention

From June 23rd, all eyes turned to Europe and the victory of the "leave" vote in the UK's Brexit referendum, raising challenges not only for the UK but for the entire European project. Although economic growth in these two regions did not suffer – yet – political uncertainty was evident and penalized investment, pointing to potential difficulties in 2017. This political tension was compounded by difficulties in Italy concerning its banking system, which raised questions about European Union rules under which a state cannot rescue a bank directly. Meanwhile, the US economy remained strong and the Fed began to prepare for a normalization of its monetary policy. The emerging countries also showed positive trends, notably Brazil and Russia which at last started to bounce back thanks to the rebound in the oil price, while the OPEC countries reached an agreement in Algiers at the end of September on limiting their production.

The US presidential election at end-2016 revitalized the markets

The fourth quarter was dominated by the surprise election of Donald Trump as president of the United States on November 8th. All asset classes were impacted by this event, which notably rekindled inflationary anticipations and underpinned US bond yields (and in a knock-on effect those of the rest of the world) and the dollar. The equity markets for their part reached record highs, bolstered by investor optimism and having mainly priced in a "soft Trump" scenario (reduction in taxes and fiscal stimulus with no protectionist measures). Europe also benefited from this revived appetite for risk, although growth did not manage to take off as consumption and investment continued to be negatively impacted by high levels of uncertainty.

The second key event in the fourth quarter was the OPEC agreement to reduce oil production from early 2017. This sparked a fresh rise in the oil price, underpinning the main oil-producing emerging countries (Russia and Brazil in particular). For Europe and China, however, this posed a risk as the higher oil price would weigh on household purchasing power.

In France, activity responded to the global environment in 2016 but with a slight lag

At the start of the year the French economy benefited from the positive global environment (low commodity prices and low interest rates), showing a sharp acceleration thanks to strong household consumption and a continued rebound in investment. However, this acceleration was subsequently hampered by uncertainty around global growth and the rebound of the euro, and ceased during the second and third quarters despite stimulus measures by the government. The "El Khomri" law, the extension of the recruitment subsidy and the additional depreciation option were supporting factors for French businesses. Moreover, the property sector saw an upturn thanks to the continued fall in interest rates, which brought with it a rebound in transactions on existing properties. The construction sector benefited from fiscal incentives introduced by the authorities, which sparked a recovery in housing starts and building permits. This enabled a gradual disappearance of the negative contribution by the construction sector to investment and growth. At the end of the year, economic indicators were more positive, even though the outlook for growth was not as strong because of the rise in the oil price and in sovereign yields. This improvement was illustrated by a more positive business climate, a rebound in industrial production and a fall in the number of people registered as "category A" unemployed. Nevertheless, growth showed only a modest improvement, while a wait-and-see stance prevailed ahead of the French elections, and the rise in energy prices weighed on household purchasing power.

The year ended therefore with a number of promising signs, but uncertainty loomed large for 2017, in the United States with Donald Trump, in Europe with a busy election schedule and progress in the Brexit negotiations, and in China with capital outflows and the ongoing risk of a hard landing. On the whole, a scenario of a modest acceleration in growth remained the most likely.

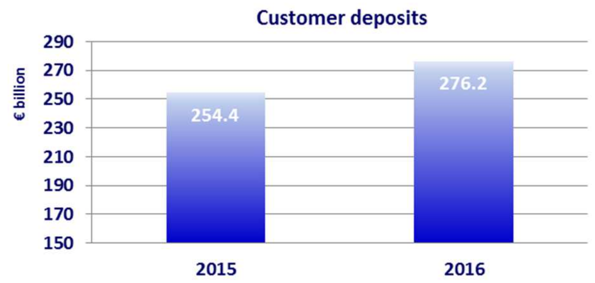
III.1.2.1 – Activity of the Crédit Mutuel-CM11 Group

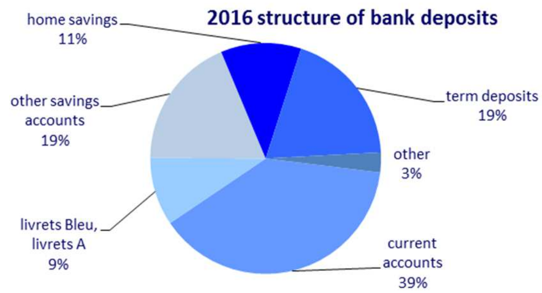
Sales growth continued in 2016. All Crédit Mutuel-CM11 Group entities contributed to the addition of new customers, bringing the total number to 23.8 million.

Banking

Reflecting strong sales and members-customers' trust in the Group, customer deposit outstandings increased significantly for the second year in a row: +8.6% to €276.2 billion after +7.9% in 2015.

Customer deposit outstandings increased by €21.8 billion, underpinned by current accounts (+14% to €13.1 billion) and passbook savings accounts (+17.3% to €7.6 billion). Inflows related to home savings remained high (€2.9 billion) with total outstandings increasing by 10.4% to €31.1 billion. Inflows related to other short-term savings improved in 2016: *Livret Bleu* and *Livret A* savings grew by 3.2% (+0.8 billion to €26.4 billion at end-2016, representing 9.5% of customer deposit outstandings).





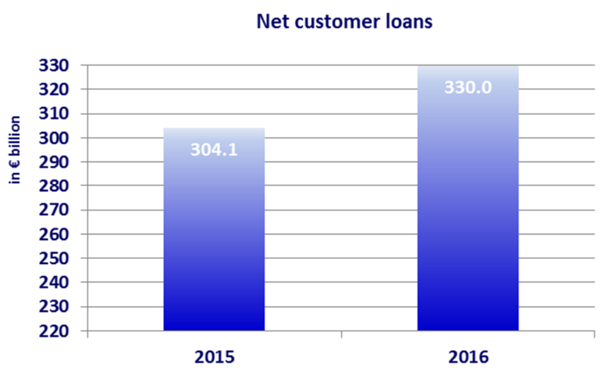
Customer loan outstandings (€330.0 billion) increased by €25.8 billion linked on the one hand to external growth transactions (the outstandings of the entities acquired from GE Capital in France and Germany in July 2016 were €10.1 billion at the end of December 2016) and on the other hand to sustained sales growth. At constant scope, these outstandings grew by 4.5%. The home loan activity remained strong (+3.4% to €161.5 billion, or 49% of outstandings) thanks to:

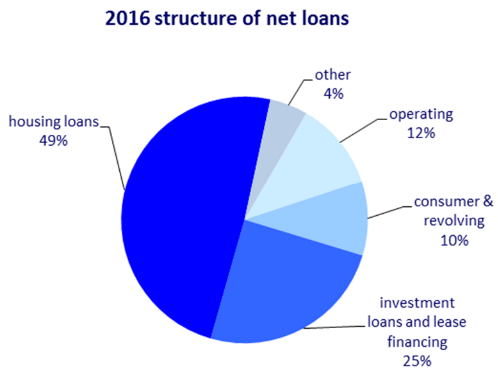
- the network's speed in responding to the demands of its members-customers,
- interest by canvassed prospective customers due to low interest rates which had a positive impact on home loan production.

Consumer loan outstandings amount to €32.2 billion, up by 6.6% overall (+€2 billion). This growth was recorded in both the specialized subsidiaries, Cofidis and Targobank Germany (+5.4% and +8.2% respectively), and in the banking networks of CIC (+5.9%) and Crédit Mutuel (+3.8%).

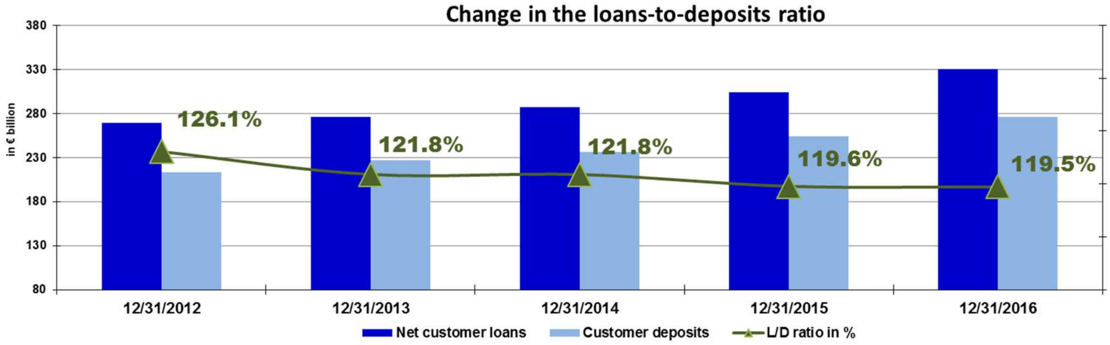
Equipment loans granted to our professional and corporate clients amounted to €69.1 billion at the end of 2016.

After very high loan production levels in 2015 (€75.1 billion), 2016 did not disappoint, with loan production of €71.9 billion, down 4.3%. Home loan releases reached €31.3 billion, consumer loan releases increased by 13.9% to €16.3 billion and investment loans increased by 0.5% to €16.6 billion. These figures demonstrate the Crédit Mutuel-CM11 Group's commitment and capacity to support the projects of companies and individuals.





The loan-to-deposit ratio in 2016 was stable at 119.5%, with growth in deposit outstandings (+8.6%) almost identical to growth in lending (+8.5%). The loan-to-deposit ratio improved by 6.6 points in relation to 2012.



Insurance

The Crédit Mutuel-CM11 Group's insurance business continued to grow in 2016.

Revenue was driven by continued strong activity in property and casualty insurance, rising by 2.3% to €10.8 billion.

Within the property and casualty insurance activity, revenue from the property insurance activity (€1.8 billion) rose by 4.6%, three times the market's growth level (+1.5%). This good performance is attributed to very high levels of new business in car and home insurance, for which 435,000 and 351,000 policies were sold respectively. New business in personal protection insurance also increased significantly in 2016 with 223,800 new policies sold (+20.5%). In health insurance, the networks reached their group policy sales targets, in a market deeply modified by broader availability of supplementary health insurance (initiated under the national inter-branch agreement (ANI)).

Life insurance revenues fell by 1.1%. In a context of very low interest rates, this decrease was the result of measures taken by the Group to limit inflows linked to euro-denominated funds. A similar decline was seen on the market (-0.6%).

Services activities

To optimize the services offered to its members-customers, the Crédit Mutuel-CM11 Group is enhancing its technological expertise so that it can propose a broad range of leading-edge services, notably in telephony, remote surveillance and e-wallet solutions.

EI Telecom, the Group's full MVNO (Mobile Virtual Network Operator), sells its products under five different brands: Crédit Mutuel Mobile, CIC Mobile, NRJ Mobile, Cofidis Mobile and Auchan Telecom; it is the only operator that combines a telephony offering with banking products and services.

For EI Telecom, the year was marked by further development in the B2B segment via three channels: retail, primarily via the banking network (offerings targeting small and medium-sized enterprises), wholesale, a new offering developed by EI Telecom to provide mobile access to large corporates or MVNO for businesses and the general public, and lastly, the continued development of a white label activity with external distribution networks (signature of an agreement with Cdiscount).

EI Telecom saw positive net growth of around 50,000 customers, giving a total customer base of 1,566,000. In 2016, EI Telecom generated its highest revenue and net income since its creation, i.e. €436 million (+7% in relation to 2015) and €16 million respectively.

At the end of 2016, EI Telecom maintained and consolidated its position as the leading French MVNO in terms of customer numbers, annual revenues, and net income. Moreover, EI Telecom is the only full MVNO to be connected in 2G/3G/4G to the three main network operators: Orange, SFR and Bouygues Telecom.

Euro Protection Surveillance (EPS), the remote surveillance subsidiary of the Crédit Mutuel-CM11 Group, continued to grow in 2016 and now has 415,000 subscribers (+6.5%) of which 400,000 with active remote assistance contracts (+6.7%) and nearly 12,200 remote assistance contracts (+4.2%). EPS thus confirmed its leadership in residential remote surveillance in France with around 31% of the market.

Revenue in 2016 was €150 million (up +5.4%) and net income was €23.6 million (up +13.3%).

Fivory, the Group's e-wallet activity, stepped up its partnerships in 2016 to provide a solution consistent with new buying practices, by making both payment and certain aspects of the shopping experience electronic regardless of the distribution channel used. In June 2016, Auchan, Oney and Mastercard all acquired a stake and in October 2016 an agreement was entered into with BNP Paribas to partner on the development of an innovative solution that will capitalize on each other's knowledge and partnerships (subject to prior approval by the European Commission body responsible for controlling mergers).

To meet the needs of members-customers, the Crédit Mutuel-CM11 Group has created one diversified division to house all its real estate subsidiaries. Concerning new property sales, CM-CIC Agence Immobilière reported 8,804 net units in contract in 2016, up 34% from +2,220 in 2015; CM-CIC Gestion Immobilière had 4,540 leases in aggregate (up 14%); and CM-CIC Aménagement Foncier recorded 1,110 building lots in contract (up 17%). On the development side, ATARAXIA Promotion reported 403 property units in contract in 2016 versus 439 in 2015.

III.1.2.2 – Results of the Crédit Mutuel-CM11 Group

(€ millions)	2016	2015 restated	change *
Net Banking Income	**13,302**	**12,845**	**+1.8%**
Operating expenses	(8,202)	(7,907)	+1.3%
Gross Operating Income	**5,100**	**4,938**	**+2.7%**
Cost of risk	(826)	(803)	-11.5%
Operating income	**4,273**	**4,135**	**+5.4%**
Gains/(losses) on other assets	(310)	(64)	n.s.
Income before tax	**3,963**	**4,072**	**-4.2%**
Corporate income tax	(1 383)	(1,539)	-11.1%
Net gain/(loss) on discontinued operations	44	(23)	n.s.
Net income	**2,624**	**2,510**	**+2.7%**
Net income attributable to minority interests	214	256	-16.4%
Net income attributable to the Group	**2,410**	**2,254**	**+4.8%**

** at constant scope*

Net banking income

Despite persistently low interest rates, Crédit Mutuel-CM11 generated NBI of €13.302 billion, up by 1.8% at constant scope. This includes the capital gain on the sale of shares in Visa Europe, recorded under the "holding" segment in the amount of €269 million.

In the retail banking and insurance activities, interest rate levels and renegotiations of home loans weighed on customer margins and investment returns, while at the same time, commission income on retail banking increased by 3.5%.

The successful external growth transactions in factoring and leasing carried out in 2016 gave rise to an increase in activity and revenues of the retail banking activity. The NBI on this activity rose by 1.2% before adjustment for scope effects and changes in the consolidation method.

The NBI of the "corporate banking and capital markets activities" and private equity grew by 2.8% and 13.6% respectively, while the NBI of the private banking activity rose by 0.5%.

Capital gains on disposals of portfolio securities had a positive impact on NBI in 2016.

Retail banking and insurance together accounted for 80% of net banking income in 2016 versus 82.6% in 2015. The table below shows the breakdown of net banking income by activity.

	Year ended December 31		
(€ millions)	**2016**	**2015 restated**	*change **
Retail banking	9,682	9,564	-0.8%
Insurance	1,492	1,581	-7.7%
Corporate banking and capital markets	807	785	+2.8%
Private banking	512	510	+0.5%
Private equity	195	172	+13.6%
IT, Logistics and holding company	1,339	897	+49.2%
Intra-Group transactions	(725)	(664)	+9.1%
Total	**13,302**	**12,845**	**+1.8%**

** at constant scope*

The geographic breakdown of Crédit Mutuel-CM11 Group's net banking income illustrates the extent to which the banking and insurance business is concentrated in the French domestic market, which accounted for 78% of the net banking income of the commercial businesses in 2016 (down 1 point on 2015). The following table shows net banking income by region in 2015 and 2016.

	Year ended December 31		
(€ millions)	**2016**	**2015 restated**	**Change (2016/2015)**
France	10,688	10,420	+2.6%
Europe, excluding France	2,402	2,216	+8.4%
Other Countries	212	209	+1.4%
Total	13,302	12,845	+3.6%

Pursuant to article 7 of Law 2013-672 of July 26, 2013 of the Monetary and Financial Code, amending article L. 511-45, which requires credit institutions to publish information on their sites and the operations conducted in each state or territory, the table below details the Crédit Mutuel-CM11 Group's activity in the various countries in which it operates.

The country in which each entity is located is mentioned in the consolidation scope. The Group has no sites meeting the criteria stipulated in the decree of October 6, 2009 in the non-cooperative states or territories included in the list established by the order of January 17, 2014.

In € millions exept Number of employees Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Number of employees	Government subsidies
Germany	1 281	367	-118	14	-77	7 167	0
Belgium	124	24	-3	1	-8	607	0
Spain	333	-167	-17	2	-18	2 502	0
United States	119	77	-28	6	-7	85	0
France	10 684	5 095	-1 188	3	-1 684	51 437	0
Hungary	30	7	0	1	-2	205	0
Iraly	38	3	0	0	-2	218	0
Luxembourg	282	123	-31	15	-23	810	0
Morocco	0	85	0	0	0	0	0
Monaco	2	0	0	0	0	9	0
Poland	1	0	0	0	0	4	0
Portugal	156	89	-32	7	-5	716	0
Czech Republic	7	-2	0	0	-1	160	0
United Kingdom	45	37	-6	-2	-7	56	0
Saint Martin	3	1	0	0	0	8	0
Singapore	91	20	-3	0	-4	247	0
Slovakia	2	-2	0	0	0	11	0
Switzerland	105	39	-5	1	-10	313	0
Tunisia	0	16	0	0	0	0	0
Total	**13 303**	**5 812**	**-1 431**	**48**	**-1 848**	**64 555**	**0**

Operating income before provisions

Gross operating income totaled €5,100 million in 2016, up 2.7% at constant scope from €4,938 million in 2015, attributable to a smaller increase in general operating expenses than in net banking income. The overall cost-to-income ratio was 61.7% in 2016, compared with 61.6% in 2015.

Operating expenses (general operating expenses and allocations/reversals to and from depreciation, amortization and impairment of property, equipment and intangible assets) was €8,202 million in 2016, up by a moderate 1.3% at constant scope. This increase resulted from the following factors:

- A 0.8% reduction at constant scope in payroll costs, which amounted to €4,709 million in 2016. The number of employees on the payroll rose from 66,372 in 2015 to 69,514 in 2016, mainly attributable to the first-time consolidation of the companies acquired from GE Capital, i.e. Atlantis, Banif Mais and Targobank Spain.
- Other general operating expenses (including depreciation, amortization, impairment and provisions) increased by 4.3% at constant scope to €3,493 million in 2016.

Analysis of cost of risk and non performing loans

Net additions to/reversals from provisions for loan losses amount to €826 million in 2016 versus €803 million in 2015. This €23 million increase notably includes the first-time full consolidation of Targobank Spain, representing a cost of risk of €100 million. After adjusting for this impact and the other changes in scope (notably the factoring and leasing subsidiaries acquired from GE Capital in 2016), the net additions to/reversals from provisions for loan losses of Crédit Mutuel-CM11 Group show a decrease of 11.5%, confirming the good quality of its assets.

Net additions to/reversals from provisions for loan losses on an individual basis (excluding collective provisions) amount to €872.9 million in 2016, while there was a net reversal in collective provisions of €46.4 million.

As a ratio of outstanding loans, total additions to/reversals from provisions for losses on customer loans were 0.24% versus 0.26% in 2015.

	Year ended December 31	
Cost of risk (% of customer loans)	**2015**	**2014**
Banking networks[(1)]	0,13%	0,13%
o/w Individuals[(2)]	*0,04%*	*0,06%*
o/w Home loans[(2)]	*0,03%*	*0,05%*
Targobank Germany consumer credit	1,09%	1,02%
Cofidis consumer credit	2,44%	2,89%
Corporate banking[(2)]	0,22%	0,16%
Private banking	0,04%	-0,07%
Cost of total customer risk	**0,24%**	**0,26%**

(1) *Mutual banking division, CIC, BECM and CIC Iberbanco networks (excluding Targobank Germany, Cofidis and network support subsidiaries)*
(2) *Excluding Targobank Spain*
(3) *Large corporates, International (incl. foreign branches), Specialized financing.*

As of December 31, 2016, the share of non-performing loans in the overall portfolio fell to 3.89% compared with 4.15% in 2015. The ratio of non-performing loans covered by provisions shows a decline in relation to December 31, 2015: 63.0% versus 64.6%. The following table summarizes the Group figures on non-performing loans and provisions for impaired loans in 2015 and 2016:

	As of December 31	
(€ billions)	**2015**	**2014**
Gross amount of customer loans	338,5	312,5
Non-performing loans	13,5	13,0
Provisions for loan impairment	8,5	8,4
of which, for individual impairment	*8,0*	*7,9*
of which, for collective impairment	*0,5*	*0,5*
Ratio of non-performing loans (individual non-performing loans / gross customer loans)	3,98%	4,15%
Overall non-performing loan coverage ratio	63,0%	64,6%

See the Risk report in section III.3 of the 2016 Registration Document for more information on the Group's loan portfolio, risks related to off-balance sheet commitments, provisions and non-performing loans and receivables.

Operating income

Strict management of operating expenses and the cost of risk combined with a 1.8% increase in revenue gave rise to a 5.4% increase in operating income to €4,273 million at the end of 2016.

Other income statement items

Share of net income (loss) from associates. The Group's share of the net income (loss) of equity-accounted entities was -€136 million in 2016 compared with €42 million in 2015. The amount recognized for 2016 corresponds in particular to the Group's share in the losses of Banco Popular Español (BPE) and the provision for BPE securities at their fair value in accordance with the analyst consensus. This item also includes the net income from the Group's investments in Banque Marocaine du Commerce Extérieur for €52.3 million and in the insurance companies ACMN and Royale Marocaine d'Assurance, among others (€45.4 million).

Gains (losses) on other assets. Gains (losses) on other assets show a net gain of €13.3 million, which includes the capital gain of €10 million recognized by CIC Suisse on the sale of a building.

Change in value of goodwill. Since an additional provision was set aside to bring the provision for goodwill on Targobank Spain to 100%, this item shows an expense of €186.6 million at the end of 2016.

Net income

Corporation tax amounted to €1,383 million in 2016 versus €1,539 million in 2015; net profit on activities sold rose from -€23 million in 2015 to +€44 million in 2016, of which €66 million related to reclassifications from the translation reserve (definitive sale of Banque Pasche after the sale of its subsidiaries in previous years).

The net income (loss) of the Crédit Mutuel-CM11 Group rose by 2.7% at constant scope to €2,624 million.

III.1.2.3 - Results by Crédit Mutuel-CM11 Group activity

Retail banking

Retail banking is by far the Group's largest business segment. In 2016, it accounted for 69% of the Group's net banking income. The following table presents the income statement items for retail banking in 2015 and 2016.

(€ millions)	2016	2015 restated(1)	change *
Net Banking Income	**9,682**	**9,564**	**-0.8%**
Operating expenses	(6,181)	(5,989)	+0.4%
Gross Operating Income	**3,501**	**3,576**	**-2.7%**
Cost of risk	(800)	(786)	-12.9%
Gains/(losses) on other assets	(64)	74	n.s.
Income before tax	**2,637**	**2,864**	**-9.9%**
Corporate income tax	(973)	(986)	-2.7%
Net income	**1,663**	**1,877**	**-13.7%**

(1) after elimination of €20 million in capital gains on securities generated by CIC Est and allocated to the logistics and holding company sector.

** at constant scope*

All of the retail banking entities recorded satisfactory sales performances, although the overall results were adversely affected by the decline in margins.

Net banking income from the retail activity was €9,682 million, down 0.8% at constant scope. The three main banking networks (CM11, CIC and Targobank Germany) recorded a reduction in their interest margin linked to low interest rates and ongoing home loan renegotiations. However, there was greater diversification of revenue with all three banking networks recording average growth in commission income of nearly 2%.

Revenue from the retail banking activity was also positively impacted by the acquisition in July 2016 of the factoring and leasing activities of General Electric in France and Germany, which represent NBI of €137 million in 2016. Before adjustment for variations in scope, the NBI of the retail banking activity grew by 1.2%.

Operating expenses were strictly managed. At constant scope, they remained virtually stable (+0.4%) at €6,181 million.

Gross operating income fell by 2.7% at constant scope to €3,501 million.

Net additions to/reversals from provisions for loan losses fell by a sharp 12.9% in 2016 to a record low level.

After factoring in its share of the estimated loss in relation to the Group's investment in the Spanish bank Banco Popular (3.95%), the net income of the retail banking activity stood at €1,663 million, down 13.7% at constant scope.

Inflows were strong across all entities. Customer deposits rose by 9% to €241.7 billion. At the same time, outstanding customer loans increased by 8.4% to €292.8 billion.

Banking networks

The NBI of the Crédit Mutuel-CM11 Group's banking network fell by 5.3% to €2,963 million, since the decline in the margin was not offset by an increase in commission income. Operating expenses rose slightly by 0.4% to €2,098 million. Net additions to/reversals from provisions for loan losses continued to decrease, reaching €72.5 million, down 29.2%. Net income of the Crédit Mutuel-CM11 Group reached €519.5 million (down 15.7%).

The NBI of the CIC banking network remained stable at €3,283 million. Net commission income grew by 1.4% while the interest margin fell slightly (-0.8%). General operating expenses rose by €12 million, €5 million of which was linked to the increase in the contribution to the Single Resolution Fund. Excluding this effect, general operating expenses rose by just 0.3%. Net additions to/reversals from provisions for loan losses fell by a substantial 16.7%. Income before tax therefore was €1,004 million (up 2.3%) and net income was €654 million (up 8%).

At €274.2 million, the NBI of BECM rose by 15.3% under the combined effect of an increase in the financial margin through the impact of interest rates and a volume effect on loans, and in commission income, notably on the electronic payment and real estate development activities. Net additions to/reversals from provisions for loan losses fell sharply, with net income from BECM rising by 32.2% to €113 million.

Net income before tax under IFRS contributed by Targobank Germany reached €445 million, up by €47 million, or 11.8%, in relation to 2015. If we strip out non-recurring items, the payment on the VISA Europe shares in particular (€18.9 million), net income notably benefited from the increase in outstanding customer loans, which helped to offset the impact of the fall in interest rates. The marked fall in expenses was also a contributing factor.

Ancillary businesses to retail banking

Net banking income for Cofidis' retail banking activities increased by 4.1% to €1,217 million. General operating expenses were up 8.4% reflecting the ongoing work in IT migration. Net additions to/reversals from provisions for loan losses fell by 12.5% to €287 million. Net income rose by 15.3% to €187 million.

The subsidiaries acquired from GE Capital in France and Germany represented NBI of €137 million, and a contribution to net income of €35 million.

Insurance

In 2016, the insurance activities contributed 10.6% of Crédit Mutuel-CM11 Group’s net banking income. The following table shows the income statement items for the insurance business in 2015 and 2016, as presented in the Group’s consolidated financial statements.

(€ millions)	2016	2015 restated	change *
Net Banking Income	**1,492**	**1,581**	**-7.7%**
Operating expenses	(498)	(470)	+1.3%
Gross Operating Income	**994**	**1,111**	**-11.4%**
Gains/(losses) on other assets	45	30	+65.9%
Income before tax	**1,039**	**1,141**	**-9.4%**
Corporate income tax	(306)	(418)	-26.3%
Net income	**733**	**723**	**+0.4%**

** at constant scope*

In 2016, net banking income from the insurance business fell by 7.7% to €1,492 million.

The Crédit Mutuel-CM11 Group's insurance business continued to grow in 2016, with revenue up by 2.3% to €10.8 billion.

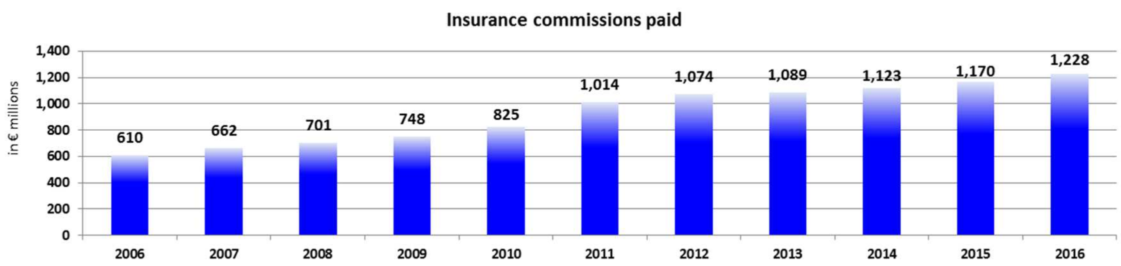
Mirroring the market, gross inflows from life insurance and insurance-based savings products fell by 1.1% to €6.3 billion (-0.6% for the market). Net inflows fell by 16.7% (market -28.6%). This decline comes amid very low interest rates as a result of which insurance companies are paring back inflows on euro-denominated funds and promote more unit-linked (UL) policies. For GACM, therefore, the share of UL policies in its gross inflows rose to 12.7% in 2016 compared with 9.0% in 2015.

Revenue from property insurance rose by 4.6%, outperforming the market (+1.5%). 2016 was a record year for new business in car and home loan policies, with 435,000 and 351,000 policies sold respectively. The self-employed professionals market also recorded steady growth.

Overall, revenue from personal insurance rose by 4.0% to €2.6 billion.

The contribution by the insurance activity to the Group's results was €733 million, up slightly in relation to 2015 (+0.4%). GACM's net income increased by 0.5% to €744 million. This takes into account the impact of the fall in interest rates on provisions and on the financial return on investments. Weather events in May and June had very little impact on the accounts.

These results include €1,228 billion in commission payments to the distribution network (up by 4.9%). Commission income generated by the insurance business has doubled over the last ten years.



Corporate banking and capital markets

In 2016, corporate banking and capital markets accounted for 5.8 % of the Group's net banking income. The following table presents the income statement items for corporate banking and capital markets in 2015 and 2016.

(€ millions)	2016	2015 restated	change
Net Banking Income	**807**	**785**	**+2.8%**
Operating expenses	(331)	(287)	+15.3%
Gross Operating Income	**476**	**498**	**-4.3%**
Cost of risk	(19)	(20)	-5.2%
Income before tax	**458**	**478**	**-4.3%**
Corporate income tax	(162)	(187)	-13.6%
Net income	**296**	**291**	**+1.6%**

Corporate banking

Revenues from corporate banking reached €375 million, down by just 2.1% in relation to 2015. The large corporates activity generated NBI of €94 million, up 2.2%, while specialized financing and international activities saw a decline in revenue as a result of non-recurring items recognized in 2015.

Gross operating income fell by 5.2% to €267 million after incorporating the €7 million increase in operating expenses.

Customer loan outstandings managed by this business amounted to €16 billion and customer deposits €5.1 billion at the end of 2016.

Net additions to/reversals from provisions for loan losses remained relatively stable (+0.7 million), with allocations on an individual basis mainly offset by write-backs of collective provisions.

The corporate banking activity contributed €155 million to the Group's net income.

Capital markets activities

After a difficult start to the year, which nevertheless offered opportunities, the rest of the year brought better conditions for the financial businesses. Transaction volumes on the equity markets decreased, and primary issues were sparse. However, the very low interest rates and corporate bond purchases by the ECB generated strong growth in fixed-income revenue.

In 2016, NBI of the capital markets and refinancing activities rose by 7.5% to €433 million. Most of the profit on commercial transactions and that of the refinancing business is allocated to the income statement of the entities monitoring the clients, as is the case for the other ancillary network activities.

Operating expenses rose by €37 million, €14 million of which relates to the increase in this activity's contribution to the Single Resolution Fund and significant provision write-backs in 2015.

After a corporation tax saving linked to an adjustment for a residual tax loss and timing differences, the net income of the capital markets activities comes out at €141 million in 2016, up 13.2% in relation to 2015.

Private banking

In 2016, private banking accounted for 3.7% of Crédit Mutuel-CM11 Group's net banking income. The following table presents the income statement items for the private banking activity in 2015 and 2016.

(€ millions)	2016	2015 restated	change
Net Banking Income	**512**	**510**	**+0.5%**
Operating expenses	(367)	(371)	-1.1%
Gross Operating Income	**145**	**139**	**+5.0%**
Cost of risk	(4)	9	ns
Gains/(losses) on other assets	7	(4)	ns
Income before tax	**149**	**143**	**+4.1%**
Corporate income tax	(32)	(41)	-23.5%
Net gain/(loss) on discontinued operations	(22)	(23)	-1.2%
Net income	**95**	**79**	**+20.0%**

This activity segment develops expertise in financial and wealth management for families of business owners and private investors.

Against the backdrop of a sluggish economic environment and a significant increase in regulations (preparation for MIFID 2), the private banking entities continued to develop their sales activities. Banque Transatlantique created a joint brand with Mouvement Desjardins in Québec entitled "Desjardins Transatlantique Gestion Privée" while Banque de Luxembourg created a new family office services offering aimed at its large clients.

The business accounts for total savings outstandings of €107.7 billion, which increased by 3.6% over the year without the impact of any market effects. Customer loan outstandings stood at €13.8 billion (+15.1%) at the end of 2016.

NBI rose by €2 million to €512 million in an environment that was not conducive to growth in interest margin and commission income. Operating expenses remained under strict control, and fell by 1.1% to €367 million. Income before tax came to €149 million, up by 4.1% before factoring in a net loss of -€22 million related to Banque Pasche, which was sold in the second quarter (excluding recycling of the translation reserve of €66 million which was classified under the holding business).

These results do not include those of the CIC Private Banking branches, which are accounted for under the CIC banks since they mainly serve business executive clients. Net income before tax of the CIC Private Banking branches is €95 million, up by 7.8% in relation to 2015.

Private equity (CM-CIC Investissement)

In 2016, private equity accounted for 1.4% of Crédit Mutuel-CM11 Group's net banking income. The following table presents the income statement items for the private equity business in 2015 and 2016.

(€ millions)	2016	2015 restated	change
Net Banking Income	**195**	**172**	**+13.6%**
Operating expenses	(46)	(41)	+11.8%
Gross Operating Income	**149**	**131**	**+14.1%**
Income before tax	**149**	**131**	**+14.0%**
Corporate income tax	(0)	(5)	ns
Net income	**149**	**126**	**+17.8%**

The strategic positioning adopted by CM-CIC Investissement over the last five years has been borne out by value creation in the portfolio in 2016 with very promising prospects.

There has been dynamic activity with investment of €287.7 million in 2016, of which €125.1 million across 20 new investments while disposals amounted to €322 million.

Proprietary investments amounted to €2 billion in a portfolio comprising 408 equity investments, the lion's share of which comprises client companies of the Group networks.

In 2016, this business showed strong revenue growth combined with good cost control; it contributed €149 million to the Group's net income compared with €126 million in 2015.

The following table presents the investments and funds managed by this business segment as of December 31, 2016.

(€ millions)	12/31/2016
Aggregate amount of Group's equity investments[1]	1,952
Value of Group's portfolio, excluding equity investments managed for third parties	2,183
Equity investments managed for third parties	234

(1) Of which, 81% invested in unlisted companies, with the balance invested in funds and listed companies

Logistics and holding company

The logistics and holding company services comprise two separate segments. The former includes the activities unrelated to the other business lines, such as the Group's historical investments in media sector companies in eastern France, EI Telecom which provides mobile telephony services to the Group's retail banking customers, Euro Protection Surveillance which provides remote surveillance services to individuals, and Fivory, the Group's e-wallet activity. The latter includes the activities for coordinating and carrying the subsidiaries, notably: IT systems; the Group's real estate; and the services provided by CM-CIC Services, a subsidiary created in May 2008 to centralize and streamline logistics, payment processes, services platforms and back office services to CM11 members and the local savings banks of other federations. The holding company services segment's results also include the Group's investments and acquisitions (notably goodwill amortization and acquisition refinancing costs), as well as start-up costs of new branches and local banks.

The following table presents the income statement items for the logistics and holding company services activities in 2015 and 2016.

(€ millions)	**2016**	**2015 restated**	change *
Net Banking Income	**1,339**	**897**	**+49.2%**
Operating expenses	(1,505)	(1,413)	+6.5%
Gross Operating Income	**(166)**	**(516)**	**-67.8%**
Cost of risk	(4)	(6)	-32.5%
Gains/(losses) on other assets	(298)	(163)	+83.0%
Income before tax	**(468)**	**(685)**	**-31.6%**
Corporate income tax	91	98	-7.5%
Net income	**(312)**	**(587)**	**-46.9%**

** at constant scope*

Net banking income from the logistics and holding company services activities totaled €1,339 million in 2016, up from €897 million the previous year. These figures reflect the following factors:

- The Group's "logistics and other" activity generated net banking income or gross margins of €1,421 million in 2016, up 2.4% (+€33 million) compared with €1,388 million in 2015. This increase was mainly due to the growth recorded by Euro Information, Euro Protection Surveillance and EI Telecom, which contributed €47 million to the increase in net banking income for this business. It was partially offset by the decline in the margin of the Group's media division (down €12 million).

- The Group's holding company services activities generated negative net banking income of €82 million in 2016, compared with -€491 million in 2015. This improvement can be attributed to the recognition of the VISA capital gain and positive results on portfolio transactions.

General operating expenses rose by 6.5%, from €1,413 million in 2015 to €1,505 million in 2016, attributable to the recognition of impairment on the media business; excluding this effect, general operating costs for this segment rose by 0.1%.

Net additions to/reversals from provisions for loan losses for this business line amounted to €4 million in 2016; they comprise overdue payments recorded in relation to EI Telecom.

Overall, the logistics and holding company services activities recorded a net loss of €312 million in 2016, compared with €587 million in 2015.

III.1.2.4 – Crédit Mutuel-CM11 Group's financial situation

Crédit Mutuel-CM11 Group's total assets increased by 6.8% from the end of 2015 to €609.8 billion in 2016. The balance sheet structure reflects the Group's commercial banking activity and the measures taken by the Group to strengthen its financial position in order to satisfy new regulatory requirements applicable in the years ahead. In particular:

- The Group finances a greater portion of customer loans through deposits, a trend consistent with its strategy developed in recent years. The loan-to-deposit ratio has steadily improved, falling from 148.4% at year-end 2010 to 119.5% as of December 31, 2016.
- The Group's liquidity risk is closely managed through a system administered by BFCM using a centralized risk management system, which is described in section III.3 Risk Report. Significant progress has therefore been made in connection with the Basel III liquidity ratios, which are now above the 100% threshold; the LCR was 140% as of December 31, 2016.
- Crédit Mutuel-CM11 Group has a net stable funding surplus of €37.5 billion. This situation resulted from a deliberate policy over several years to increase deposits and extend wholesale funding maturities.

The ratio of non-performing loans to total customer loans fell from 4.15% at December 31, 2015 to 3.98% at December 31, 2016. Moreover, the Group's non-performing loan coverage ratio remained high at 63.0% as of December 31, 2016, compared with 64.6% on December 31, 2015.

As at December 31, 2016, shareholders' equity was €39.6 billion and common equity Tier 1 capital was €31.1 billion. The common equity Tier 1 ratio excluding transitional measures was 15.0%, one of the best at the European level. The capital adequacy ratio excluding transitional measures was 18.0% and the leverage ratio in accordance with the delegated act excluding transitional measures was 5.7%.

Assets

Summary. The Group's consolidated assets totaled €609.8 billion as of December 31, 2016, up 6.8% from €570.9 billion as at December 31, 2015.

This increase of 6.8% can be attributed to several factors: an increase in outstandings with central banks (+€50 billion), loans and receivables due from customers (+€25.8 billion, i.e. +8.5%) partly offset by the fall in loans and receivables due from credit institutions (-€32.6 billion, i.e. -46.3%).

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include financial instruments held for trading (including derivatives) and certain financial assets designated by the Group at fair value through profit or loss as of their acquisition date (including securities in the private equity business). These assets are remeasured at fair value at each closing.

The total amount of financial assets at fair value through profit or loss was €27.9 billion at December 31, 2016, up 2.7% from €27.1 billion at December 31, 2015. As of December 31, 2016, financial assets at fair value through profit or loss represented 4.6% of the Group's total assets.

Available-for-sale financial assets. Available-for-sale financial assets include fixed- and variable-income securities that may not be classified as financial assets at fair value through profit or loss or as financial assets held to maturity. These assets are remeasured based on their market or comparable value at each closing, and the change in value is recognized directly in equity.

Available-for-sale financial assets totaled €107.1 billion as of December 31, 2016 versus €110.3 billion at December 31, 2015. This decrease was mainly due to a reduction of nearly €9 million in "government securities."

Loans and receivables due from credit institutions. Loans and receivables due from credit institutions consist of sight deposits, interbank loans and reverse repurchase agreements. Loans and receivables due from credit institutions reached €37.7 billion as of December 31, 2016 compared with €70.3 billion as of December 31, 2015. The difference is mainly due to a reduction in overnight loans.

Loans and receivables due from customers. Loans and receivables due from customers totaled €330.0 billion as of December 31, 2016, up 8.5% from €304.1 billion at December 31, 2015. This change was driven by the increase in home loans from €156.2 billion at December 31, 2015 to €161.5 billion at December 31, 2016, the €7.1 billion increase in treasury loans, and the inclusion in the consolidation scope of the entities acquired from GE Capital in France and Germany, for an amount of €10.1 billion at December 31, 2016.

Liabilities (excluding shareholders' equity)

Summary. The Group's consolidated liabilities excluding shareholders' equity totaled €570.2 billion as of December 31, 2016, up +6.8% from €533.7 billion at December 31, 2015. These liabilities include subordinated debt totaling €6.7 billion as of December 31, 2016 and €6.1 billion at December 31, 2015. The increase in liabilities excluding shareholders' equity in 2016 was mainly due to higher amounts due to customers (mainly deposits) at €21.8 billion (up +8.6%), and an increase in debt securities (up 7.1 billion) and technical provisions on insurance policies at €4.7 billion (up 5.3%).

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss totaled €12.0 billion as of December 31, 2016, down 11.3% from €13.5 billion at December 31, 2015 as a result of the decline in bonds and other fixed-income securities (-€713 million) and in interbank liabilities (-€763 million).

Due to credit institutions. Liabilities to credit institutions rose by €5.2 billion (up 11.9%) to €49.2 billion as of December 31, 2016.

Amounts due to customers. Liabilities to customers consist mainly of sight deposits, term accounts, regulated savings accounts and repurchase agreements. These liabilities totaled €276.2 billion as of December 31, 2016, compared with €254.4 billion at December 31, 2015. This increase was mainly due to current accounts, passbook savings accounts and home purchase savings accounts.

Debt securities. Debt securities consist of negotiable certificates of deposit and bond issues. Debt securities amounted to €112.5 billion at December 31, 2016, up 6.7% on 2015, mainly concerning interbank securities and negotiable debt securities.

Technical provisions on insurance policies. Technical provisions on insurance policies totaled €93.4 billion as of December 31, 2016, compared with €88.7 billion at December 31, 2015, representing an increase of 5.3%.

Consolidated shareholders' equity

Consolidated shareholders' equity attributable to the Group was €36.5 billion as of December 31, 2016, compared with €34.3 billion at December 31, 2015. The increase mainly reflected the net income carried forward in 2016.

Non-controlling interests increased from €2,825 million at December 31, 2015 to €3,113 million as of December 31, 2016.

Liquidity and refinancing

Crédit Mutuel-CM11 Group is in compliance with the provisions introduced following transposition of the directive and by the decree of November 3, 2014 on the internal control of banking sector companies, payment services and investment services subject to ACPR supervision.

Since the creation of the Banking Union in November 2014, and of the Single Supervisory Mechanism (SSM), the Group has been supervised by the ECB and the ACPR.

Crédit Mutuel-CM11 Group has adopted a centralized liquidity management system, both for access to the markets and for monitoring and implementing hedging at the corporate entities.

Liquidity risk is incorporated into the overall risk policy.

The Group has opted for an extremely cautious liquidity risk control and management policy. As its culture is strongly risk averse, it has selected a low risk tolerance.

In 2016, the Crédit Mutuel-CM11 Group was well placed to obtain refinancing on the markets under good terms. Low interest rates and steady interest by investors in our issuance activity provided a favorable environment.

Total external funding thus came to €132.8 billion at the end of December 2016, representing an increase of 7.2% in relation to the end of 2015 (€123.9 billion).

This comfortable liquidity situation was reflected as follows at the end of December 2016:

- an LCR buffer at the central treasury of €68 billion;
- an LCR ratio for Crédit Mutuel-CM11 of 140%;
- coverage of 159% of wholesale funding maturities over the next 12 months through the liquid assets and ECB-eligible assets held.

- Short-term refinancing

The growth in short-term funding which benefited from a high level of liquidity on the money market is one of the main reasons for the increase in external funding. Short-term funding thus came to €48.8 billion compared with €40.8 billion at the end of 2015, representing an increase of more than 19%.

- Medium- and long-term refinancing

Longer-term funding via maturities longer than 12 months amounted to €84 billion, remaining almost stable (+1.1%) in relation to the previous year (€83.1 billion).

A total of €12.4 billion in medium and long-term external funding was issued in 2016, of which €9.5 billion (76.3%) via public issues, and the remainder via private operations.

This €9.5 billion in issuance breaks down as follows:

- €3.75 billion carried out by BFCM in the form of senior EMTN;
- the equivalent of €2.55 billion via US144A bonds ($1.75 billion) and Samurai bonds (JPY121.2 billion);
- €1.7 billion in subordinated Tier 2 bonds;
- €1.5 billion in the form of housing financing bonds over 6.5 years issued by our specialized subsidiary Crédit Mutuel-CIC Home Loan SFH.

Moreover, in 2016, the European Investment Bank (EIB) expanded its lending for SMEs to include intermediate-sized companies. The Group was thus able to enter into a new contract for €500 million under the new format of "loans for SMEs and intermediate-sized companies" on the basis of increased potential and permanent interest in this type of financing.

Thanks to the significant increase in the relative share of medium- and long-term refinancing over the past few years, the Group does not consider itself significantly dependent upon short-term market refinancing in order to carry out its current banking activities. In order to supervise its liquidity and refinancing position, the Group uses an indicator known as "stable funding," which corresponds to the sum of equity, customer deposits and medium- and long-term refinancing. This stable funding indicator is compared to the sum of loans and advances to customers, securities held to maturity and mandatory uses of funds (such as the mandatory deposit with Caisse des Dépôts et Consignations of a portion of deposits received from customers on regulated savings accounts). At end-2016, the Group's stable funding totaled €399.8 billion and total loans and advances to customers, securities held to maturity and mandatory uses of funds were €362.3 billion. The Group therefore has a net stable funding surplus of €37.5 billion.

Solvency

At December 31, 2016, Crédit Mutuel-CM11 Group had shareholders' equity of €39.6 billion compared with €37.1 billion at the end of 2015, thanks to the appropriation of income to reserves.

It had a common equity Tier 1 ratio (CET1) of 15.0%[2] at the end of 2016 and an overall solvency ratio[2] of 18.0%, up by 10 basis points on the previous year. These levels are much higher than the thresholds required by the European Central Bank as defined during the 2017 Supervisory Review and Evaluation Process. The CET1 ratio required of the Group on a consolidated basis was set at 7.25% in 2017, with an overall ratio of 9.50% plus a conservation buffer of 1.25%. The Group therefore has a surplus over the SREP requirement of 775 basis points for its CET1 ratio and 725 basis points for the overall ratio.

The CET1[2] capital had increased by 6.9% to €31.1 billion at the end of 2016 while risk-weighted assets rose by 7.6% to €207.1 billion.

The leverage ratio[2] stood at 5.7%.

III.1.2.5 – Methodology descriptions and alternative performance indicators

Methodology descriptions

1/ **Restated 2015 accounts**: restated pro forma 2015 accounts were prepared because there was a change in the accounting method applicable from January 1, 2016 to the recognition of the capitalization reserve on the insurance activity.

This reserve contains capital gains realized on the sale of bonds and is reversed solely in the event of a capital loss on bonds.

Following the transposition of Solvency II into French law, the Groupe des Assurances du Crédit Mutuel created a model for the repayment of the capitalization reserve to insured parties. Since this reserve is mainly designed for payment to insured parties, the recognition of a deferred profit-sharing liability on the restatement of the capitalization reserve makes the Group's IFRS consolidated accounts all the more relevant.

This change in accounting method had an impact on the Group's shareholders' equity in IFRS to the tune of €398.4 million at the start of 2016 and €401.8 million at the end of 2016, giving rise to an impact on net income for 2016 of -€3.5 million (and -€4.3 million on restated net income for 2015).

2/ **Changes at constant scope** are calculated after:

- adjustment for first-time consolidations between January 1, 2016 and December 31, 2016: the factoring and leasing entities acquired from General Electric Capital in France and Germany (retail banking segment); North Europe Life Belgium (insurance segment);
- restatement for the difference in the duration of consolidation of Banif Mais (6 months in 2015, 12 months in 2016, retail banking segment) and Atlantis (6 months in 2015, 12 months in 2016, insurance segment);
- restatement for the change in consolidation method of Targobank Spain (retail banking segment) and AMGEN SEGUROS GENERALES COMPAÑÍA DE SEGUROS Y REASEGUROS, SA (insurance segment): consolidation using the equity method in 2015, full consolidation in 2016.

2 *Without transitional measures*

These items are detailed below under the different intermediary balances:

	2016 (€million)			2015 (€million)			change 2016 / 2015	
	published	to neutralize	**cst scope**	restated	to neutralize	**cst scope**	gross	**cst scope**
Net Banking Income	**13,302**	**262**	**13,040**	**12,845**	**38**	**12,807**	**+3.6%**	**+1.8%**
Operating expenses	-8,202	-217	-7,985	-7,907	-24	-7,883	+3.7%	+1.3%
Gross Operating Income	**5,100**	**44**	**5,055**	**4,938**	**14**	**4,924**	**+3.3%**	**+2.7%**
Cost of risk	-826	-118	-708	-803	-3	-800	+2.9%	-11.5%
Operating income	**4,273**	**-74**	**4,347**	**4,135**	**11**	**4,124**	**+3.3%**	**+5.4%**
Gains/(losses) on other assets	-310	-4	-305	-64	-7	-57	ns	ns
Income before tax	**3,963**	**65**	**3,899**	**4,072**	**4**	**4,068**	**-2.7%**	**-4.2%**
Corporate income tax	-1,383	-18	-1,365	-1,539	-4	-1,535	-10.2%	-11.1%
Net gain/(loss) on discontinued operations	44	0	44	-23	0	-23	ns	ns
Net income	**2,624**	**47**	**2,577**	**2,510**	**0**	**2,510**	**+4.5%**	**+2.7%**
Net income attributable to minority interests	214	4	210	256	4	252	-16.4%	-16.5%
Net income attributable to the Group	**2,410**	**43**	**2,367**	**2,254**	**-4**	**2,258**	**+6.9%**	**+4.8%**

Alternative performance indicators – article 223-1 of the General Regulations of the AMF/ESMA guidelines (ESMA/20151415)

Heading	**Definition/calculation method**	**Justification for use of ratios**
cost/income ratio	calculated on the basis of consolidated income statement balances: ratio of general operating expenses (sum of "general operating expenses" and "allocations/reversals to and from depreciation, amortization and impairment of property, equipment and intangible assets" in the consolidated income statement) and "net banking income in IFRS"	measurement of the bank's operational efficiency
Net additions to/reversals from provisions for loan losses in relation to customer loan outstandings (expressed as a % or in basis points)	Net additions to/reversals from provisions for customer loan losses, as set out in Note 31 of the notes to the consolidated financial statements, in relation to gross loan outstandings at the end of the year (loans and receivables due from customers excluding individual and collective write-downs)	Used to assess the level of risk as a percentage of loan commitments in the balance sheet
Total net additions to/reversals from provisions for loan losses	The "net additions to/reversals from provisions for loan losses" line item in the consolidated publishable income statement	-
Individual net additions to/reversals from provisions for loan losses	Total net additions to/reversals from provisions for loan losses excluding collective provisions (see definition in this table)	-
customer loans	"loans and receivables due from customers" line item under assets in the consolidated balance sheet	-

Customer deposits; bank deposits	“Amounts due to customers” line item under liabilities in the consolidated balance sheet	-
Insurance-based savings	Life insurance policies held by our customers – management data (insurance company)	
Banking financial savings	Off-balance sheet savings held by our customers or in custody (securities accounts, UCITS, etc.) – management data (Group entities)	
Total savings	Sum of bank deposits, insurance-based savings and banking financial savings	
Operating expenses; general expenses, management expenses	Sum of “general operating expenses” and “allocations/reversals to and from depreciation, amortization and impairment of property, equipment and intangible assets”	-
Interest margin; net interest revenue; net interest income	calculated on the basis of consolidated income statement balances: Difference between interest received and interest paid: – interest received = the “interest income” line item in the consolidated publishable income statement – interest paid = the “interest expense” line item in the consolidated publishable income statement	-
New loans	The amount of new loans released for customers – source management data, sum of the individual data of entities in the “retail banking segment – banking network” + COFIDIS	-
Collective provisions	application of IAS 39 which provides for a collective examination of the loans in addition to individual examination and the creation where necessary of a corresponding collective provision (IAS 39 §58 to 65 and application guidelines §AG84 to 92)	-
Loan-to-deposit ratio; cost/income ratio	Ratio calculated on the basis of consolidated income statement balances: Ratio expressed as a percentage between total customer loans (“loans and receivables due from customers” line item under assets in the consolidated balance sheet) and customer deposits (“amounts due to customers” line item under liabilities in the consolidated balance sheet)	Measurement of level of dependence on external refinancing
overall non-performing loan coverage ratio	Calculated as the ratio of provisions recorded for credit risk (including collective provisions) to gross outstandings identified as in default within the meaning of the regulations; Calculated on the basis of Note 8a of the consolidated financial statements: “individual impairment” + “collective impairment”/“individually impaired receivables”	This coverage ratio measures the maximum residual risk related to outstandings in default (“non-performing”)

IAP, reconciliation with the accounts :

Cost to income ratio		2016	2015
Operating expenses	note 30	-8,202	-7,907
Net banking income	income statement	13,302	12,845
Cost to income ratio		**61.7%**	**61.6%**

Customer cost of risk to consumer loans		2016	2015
Customer cost of risk	note 31	-825	-814
Gross receivables + finance leases	note 8a	338,449	312,516
Customer cost of risk to consumer loans		**0.24%**	**0.26%**

Net interest margin		2016	2015
Interest income	income statement	15,053	15,804
Interest expense		-9,501	-10,243
Net interest margin		**5,551**	**5,561**

Loan to deposit ratio		2016	2015
Loans and receivables due from customers	assets	329,958	304,136
Due to customers	liabilities	276,194	254,370
Loan to deposit ratio		**119.5%**	**119.6%**

Overall non-performing loan coverage ratio		2016	2015
Impairment	note 8a	8,492	8,380
Individually impaired receivables	note 8a	13,473	12,981
Overall non-performing loan coverage ratio		**63.0%**	**64.6%**

III.2 – Recent developments and outlook

III.2.1 – Events after the reporting period

After acquiring all of the shares of Targo Deutschland Gmbh from CM Akquisitions Gmbh (CMA) in 2016, Banque Fédérative du Crédit Mutuel (BFCM) absorbed CMA. The cross-border merger was definitively filed with the trade and companies registrar of Dusseldorf on March 15, 2017 and the related notary's certificate validated the merger in France effective as of March 22, 2017. The merger/absorption by BFCM of CMA entailed the universal transmission of the assets of the absorbed company (CMA) to the absorbing company (BFCM); all of CMA's assets and liabilities were therefore transferred to BFCM via a merger operation that involved the dissolution of CMA without liquidation.

On March 30, 2017, BFCM acquired 16% of the share capital of Cofidis Participations, bringing its stake to 70.63%. This operation followed the exercise of reciprocal put and call options decided in 2008.

On April 6, 2017, the Boards of Directors of Caisse Fédérale du Crédit Mutuel and Banque Fédérative du Crédit Mutuel appointed Daniel Baal as the Chief Executive Officer and executive directors as of June 1, 2017, thereby replacing Alain Fradin.

III.2.2 - Outlook

In an environment marked by numerous challenges – economic, social, technological, competitive and regulatory – the Crédit Mutuel-CM11 Group continued to concentrate on its priorities in 2016: development, adaptability, innovation, quality of service and control of its costs and cost of risk. Through this work it was able to assert its identity, highlight its differentiating factors and produce good financial results, underpinning solidity and confidence. All of the Group's activity segments benefited from its technological and digital expertise. A reflection of its resolve to serve its 23.8 million customers and members and more broadly the public and the real economy.

To accompany these transformations, the 2014–2016 medium-term plan has been extended until 2018. An IT and organizational plan "*Priorité client-sociétaire 2018*" ("Priority on customers-members 2018") will be implemented over the coming years to improve the tools and assistance provided to the customer relationship managers and the networks so that they can continue improving their member-customer services.

III.3 - Crédit Mutuel-CM11 Group's risk management

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

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

The periodic and permanent control functions and the compliance function provide strict oversight of processes across all business activities.

The description of the controls, review of reporting and action plans undertaken are described in the Chairman of the Board of Directors' report submitted to the Shareholders' Meeting, in paragraph II.2 of section II "Corporate governance."

The risk management department consolidates overall risk monitoring and optimizes risk management through the amount of capital allocated to each business and return on equity.

Throughout this document, the word "Group" may be used alone but is understood to mean "Crédit Mutuel-CM11 Group"

III.3.1 – Main risks of Crédit Mutuel-CM11 Group

The Group is exposed to risks inherent to its business. A non-exhaustive summary of some of the risks the Group faces is set forth below. These risks, as well as other risks that have not yet been identified or are currently deemed insignificant by the Group, may have a material adverse effect on its business, financial position and/or results.

III.3.1.1 – Main risks

There are four main categories of risks inherent in the Group's activities, which are summarized below. The risk factors that follow elaborate on or give specific examples of these different types of risks, and describe certain additional risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss relating to the failure of a counterparty to honor its contractual obligations. The counterparty may be a bank, a financial institution, an industrial or commercial enterprise, a government and its various entities, an investment fund, or a natural person. Credit risk arises in lending activities and signature commitments as well as in various other activities where the Group is exposed to the risk of counterparty default, such as its trading, capital markets, derivatives and settlement activities. With respect to home loans, the degree of credit risk also depends on the value of the home that secures the relevant loan. Credit risk also arises in connection with the factoring businesses of the Group, although the risk relates to the credit of the counterparty's customers, rather than the counterparty itself.

Exposures to credit risks and their measurements can be found in the risk report at section III.3.2.2 of this Registration Document.

Market and liquidity risk

Market risk is the risk to earnings that arises primarily from adverse movements of market parameters. These parameters include, but are not limited to, foreign exchange rates, bond prices and interest rates, securities and commodities prices, derivatives prices, credit spreads on financial instruments and prices of other assets, including those in the real estate sector.

Liquidity is also an important component of market risk. In instances of little or no liquidity, a market instrument or transferable asset may not be negotiable at its estimated value (as has been the case for some categories of assets in the recent disrupted market environment). A lack of liquidity can arise due to diminished access to capital markets, unforeseen cash or capital requirements or legal restrictions.

Market risk arises in the Group's trading portfolios and non-trading portfolios. In non-trading portfolios, it encompasses:

- the risk associated with asset and liability management, which is the risk to earnings arising from asset and liability mismatches in the banking book or in the insurance business. This risk arises mainly from interest rate risk;
- the risk associated with investment activities, which is directly connected to changes in the value of invested assets within securities portfolios, which can be recorded either in the income statement or directly in shareholders' equity; and
- the risk associated with certain other activities, such as real estate, which is indirectly affected by changes in the value of negotiable assets held in the normal course of business.

Market risks are described in greater detail in the risk report at section III.3.4 of this Registration Document.

Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Internal processes include, but are not limited to, human resources, information systems, risk management and internal controls (including fraud prevention). External events include, for example, floods, fires, storms, earthquakes and terrorist attacks.

Data on losses from operational risks are provided in section III.3.6.10 of this Registration Document.

Insurance risk

Insurance risk is the risk to earnings due to mismatches between expected and actual claims. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behavior, changes in public health policies, pandemics, accidents and catastrophic events (such as earthquakes, storms, industrial disasters, or acts of terrorism or war).

III.3.1.2 – Risk factors

1/ Difficult market and economic conditions could have a material adverse effect on the operating environment for financial institutions and accordingly, on the Group's financial situation and earnings.

The Group's businesses are sensitive to changes in financial markets and economic conditions in France, Europe and generally around the world. The Group could be confronted with a significant deterioration of market and economic conditions resulting from, among other things, crises affecting sovereign debt, the capital, credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices, currency exchange rates or interest rates, the volatility of derivatives, inflation or deflation, or adverse geopolitical events (such as natural disasters, acts of terrorism or armed conflicts).

The global economy (and in particular the European economy) and the financial markets continue to face many uncertainties, often linked to exogenous factors (political decisions notably). Several events in 2016, which had not been anticipated by the analyst consensus, sparked volatility on the global financial markets. For example, the elections in the UK and the US surprised the markets, and raise the risk of a return to greater protectionism. These factors are likely to weigh on demand for credit and economic development.

Market disruptions and sharp economic downturns, which may develop quickly and whose impact may therefore not be fully hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Group's financial position, earnings and cost of risk. For example, sovereign yields in core European countries and in most peripheral countries tightened further over most of 2016.

During the fourth quarter, an improved economic environment in Europe and the United States and the promises made by the new US president caused a revival of tension on these yields. During the first few months of 2017, French yields continued to rise as did the spread in relation to German yields, due in large part to the political risk associated with the results of the presidential and general elections in France in the second quarter. Short-dated yields remain in negative territory, overall at the same levels since mid-June 2016.

Where the equity markets are concerned, the first half of 2016 saw similar movements relative to the fourth quarter of 2015, but with a greater intensity: high volatility and more frequent reversals of trends, every two weeks approximately, in line with the publication of European, US and Asian economic indicators which were frequently contradictory and at best revealed only short-term trends.

The markets showed an improvement in the second half of 2016, with steadier trends despite persistent uncertainty concerning the medium-term economic outlook. They were underpinned by good statistics in both the US and Europe.

Against this optimistic backdrop, for the first time since 2009, the US central bank introduced a slight increase in its main policy rate in November 2016, which was followed by another increase in mid-March 2017. Both increases were small in scope (1/4 point), demonstrating the relative nature of the US body's optimism regarding the permanence of the economic improvement across the Atlantic. In Europe, the ECB (European Central Bank) maintained its overall accommodative monetary policy in 2016 (asset purchases; low refinancing rates). During its last meeting in March 2017, the ECB confirmed it would maintain the same monetary policy throughout the year, but for the first time in several semesters it did not stress that it would use all means at its disposal to achieve its objective. Despite good growth and inflation forecasts in the European Union, the ECB remains as prudent in its action and communication as the Fed, even though the latter is at a much more advanced stage of monetary policy “normalization” than the former. This persistent medium-term uncertainty around the economic and financial conditions in France and elsewhere in Europe is fueling a risk of deterioration on the markets on which the Crédit Mutuel-CM11 Group operates, which if it were to materialize, would negatively and significantly affect the level of certain of its activities, results and financial situation.

Finally, the highly uncertain political environment, with national elections scheduled for 2017 in several key European countries, including France, is another factor that could significantly impact not only the financial markets but also the French economy in general. Most notably, structural reforms, depending on the results of these elections, could durably alter France's economic system. Given this complex environment, some of the Group's activities could experience slower growth.

2/ The low-interest-rate economic environment could hamper the Group's profitability and financial situation.

Over the last few years the global markets have contended with low interest rates, a situation that looks like it could continue for some time. During periods of low interest rates, interest rate spreads tend to tighten. In this environment, the Group could find itself in a position where it would not be able to sufficiently reduce the interest rates on deposits to offset the fall in revenues on loans granted at lower rates. The efforts made by the Group to reduce the cost of its deposits may be limited by the prevalence of regulated savings products (such as *Livret Bleu/Livret A* savings products and home savings schemes) the interest rates on which are higher than the current market levels. Moreover, the Group could see an increase in requests for early redemption and renegotiations of mortgage loans and other fixed-rate loans by individual and business clients seeking to take advantage of the fall in borrowing costs. This along with the issuance of new debt at current market levels could lead to an overall fall in the average interest rate of the Group's lending portfolio. The reduction in its credit margins and resulting fall in retail banking revenues could have a negative impact on the profitability of the Group's retail banking activities and on its overall financial situation. Moreover, if market interest rates were to increase in the future, the value of the Group's portfolio could fall because of the high level of loan stock at low interest rates contained in it. If the Group's hedging strategies proved to be inefficient or only partly protected against such a change in value, it could suffer losses. A continued environment of low interests could also lead to a broader flattening of the yield curve on the markets, which could reduce the premium generated by the Group's financing activities and consequently negatively impact its profitability and financial situation. A flat yield curve could also prompt financial institutions to engage in riskier activities to obtain suitable returns, which could increase overall market risk and volatility.

3/ Legislative action and regulatory measures in response to the global financial crisis may materially impact the Group and the financial and economic environments in which it operates.

Since the financial crisis, numerous laws and regulations have been enacted or proposed to introduce a number of changes, some permanent, in the global financial environment.

While the aim of these new measures is to avoid a recurrence of the financial crisis, their impact could be to change substantially the environment in which the Group and other financial institutions operate and, as such, have a significant effect on the Group's activities.

The Group is thus subject to extensive regulatory requirements and high level supervision in each jurisdiction in which it operates. In particular, the Group complies with the requirements of the Basel III regulation and directive (CRR and CRD4 respectively) which came into force in the European Union on January 1, 2014, some provisions of which will gradually become applicable between now and 2019. These various regulations are designed to preserve the stability of banks (in particular their solvency, liquidity and financial soundness) in order to protect customers, depositors, investors, creditors and tax payers in general. That said, since they are implemented iteratively, the ramp-up in regulations observed in recent years has led to uncertainty and certain developments could have a substantial impact on the Group’s results and the structure of its balance sheet. In particular, the Basel Committee discussions currently underway, which notably include a review of internal models for calculating capital requirements, and the implementation of floor levels are risk factors that could lead to a distortion in competition between certain economic areas.

The new measures that have been or may be adopted mainly include more stringent capital and liquidity requirements, taxes on financial transactions, limits and rules for employee compensation over specified levels, limits on the types of activities that commercial banks can undertake (particularly proprietary trading and investment and ownership in private equity funds and hedge funds) or new ring-fencing requirements relating to certain activities, restrictions on certain types of financial activities or products such as derivatives, mandatory writedown or conversion into equity of certain debt instruments, enhanced recovery and resolution regimes, the creation of new and strengthened regulatory bodies, and the transfer of some supervisory functions to the ECB.

These measures are, in particular, contained in the BRRD and are in the process of being adjusted by national regulators to be included in each country's legislative framework. In France, the measures for transposition are mainly contained in Order No. 2015-1024 of August 20, 2015 which modified the provisions of the Monetary and Financial Code. In addition to this “master” text there is Decree No. 2015-1160 of September 17, 2015 and three decrees dated September 11, 2015 concerning respectively:

- crisis prevention and recovery plans;
- resolution plans;
- criteria for assessing a bank or group's resolution capacity.

This order notably requires that banks prepare and submit to the ECB a crisis recovery plan setting out the measures taken by the Group to deal with major difficulties (such as a significant deterioration in its financial situation, a reduction in its liquidity reserves below approved thresholds, etc.).

Other regulatory measures have appeared in recent years. For example, new solvency and liquidity ratios have emerged and impose new constraints on the Group (particularly in terms of the potential additional costs of issuing subordinated debt).

As regards the European “banking union,” the EU adopted, in October 2013, a Single Supervisory Mechanism (SSM) under the supervision of the ECB. Accordingly, since November 2014 and the Order of November 6, 2014 concerning various provisions for the adjustment of the legislation to be in line with the Single Supervisory Mechanism of credit institutions, the Group and other large euro zone institutions are now under the direct supervision of the ECB. It is not yet possible to assess all of the impacts these measures will have on the Group. However, the uncertainty concerning the application of a certain number of ECB measures and implementation of additional measures could create uncertainty and non-compliance risk and, more generally, the costs generated through implementing the Single Supervisory Mechanism could have an adverse effect on the Group's operating income and financial position.

The first financial impacts resulted in the establishment of the additional capital buffers required of banks. On the EBA's (European Banking Authority) recommendation, on December 31, 2015 and December 31, 2016 many European banks therefore published the minimum CET1 ratio required under Pillar 2 as set by the ECB and applicable as of January 1, 2016.

These “Pillar 2” requirements are derived from the bank-by-bank analyses conducted by supervisors through the Supervisory Review and Evaluation Process (SREP). Pillar 2 concerns a discretionary analysis conducted by the competent regulatory body (the ECB where the Group is concerned) to assess the capital adequacy calculated according to Pillar 1 and, where necessary, to add additional capital requirements taking into account all of the risks to which the banks are exposed. Since January 1, 2017, the directive has emphasized the distinction between the following two concepts:

- *Pillar 2 Requirement* (P2R) which corresponds to a strict CET1 requirement;
- *Pillar 2 Guidance* (P2G) which constitutes a recommendation of capital adequacy pursuant to Pillar 2.

This overall Pillar 2 requirement covers the conservation buffer, the countercyclical buffer and the systemic risk buffer (which does not exist in all countries). The buffers for G-SIFIs and domestic SIFIs must also be met[3].

While at present the additional SREP requirements for Crédit Mutuel-CM11 Group[4] are minimal, they incorporate qualitative criteria, mainly for governance, and the Group is not immune from the possibility of future upward revisions. The supervisory body also issues recommendations if there is a need to hold other categories of capital, giving rise to additional Tier 1 and Tier 2 requirements.

As the result of some of these measures, the Group has had to significantly adjust, and may have to continue to adjust, some of its activities to enable the Group to comply with the new requirements. Moreover, the general political environment has evolved unfavorably for banks and the financial industry, resulting in greater pressure from legislative and regulatory bodies to adopt more stringent regulatory measures, even though these measures could have adverse consequences on lending and other financial activities, and on the economy. Given the continuing uncertainty regarding the new legislative and regulatory measures, it is not possible to foresee their impact on the Group. At present, one of the risks identified involves the increasing number and recurring nature of the regulatory reports to be completed (ICAAP, ILAAP, crisis resolution plan, templates for the Single Resolution Board, etc.) in very short time frames. This ties up headquarters support staff resources and necessarily limits the time they can spend on "day-to-day" business. In addition, non-completion (or completion deemed insufficient by the regulatory authorities) can lead to sanctions on the Group (mainly through additional capital requirements[5]).

Revisions are already being proposed for certain regulatory measures that have only recently been adopted. The rate of regulatory change and its frequency and complexity have considerably increased the cost of compliance for the Group and have generated uncertainty around its operating environment. For example, on November 23, 2016, the European Commission issued several legislative proposals to modify a certain number of key European Union directives and banking regulations on capital adequacy, and banking recovery and resolution which have only recently come into force. If they are adopted, these proposals would, among other things, change the rules concerning MREL (Minimum Requirement Eligible Liabilities). The MREL provides that banks maintain a minimum level of capital and liabilities that could be abandoned or converted to financial securities if they were to encounter serious financial difficulty. Depending on the form in which these proposals will be adopted, European banks (including the Group) may have to issue substantial volumes of new debt or offer their creditors a change in the terms of existing debt in order to meet these new regulatory requirements. The timeline for the adoption of the new proposals is not known at present.

4/ Investors holding BFCM securities could suffer losses if the Group is subject to resolution procedures.

As mentioned above, the BRRD (Bank Recovery and Resolution Directive) and single resolution mechanism (SRM) (defined below) were transposed into French law on August 20, 2015 (order no. 2015-1024 of August 20, 2015 on various provisions for transposing European Law into the financial legislation). Under these measures, the resolution authorities can impair BFCM's debt securities or convert them to capital once a resolution procedure has been instigated; in other words, a "bail-in" solution. A resolution procedure can be instigated with regard to an institution if (i) it or the group to which it belongs is in default or risks going into default, (ii) there is no other foreseeable solution for avoiding default within a reasonable time, and (iii) a resolution mechanism is necessary to achieve the following resolution objectives:

- a) ensure the continuity of critical functions;
- b) avoid a major negative impact on the financial system;

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[3] *Global Systemically Important Financial Institution*

[4] The CET1 requirement with Pillar 2 required by the ECB for Crédit Mutuel-CM11 is 7.25%. This requirement covers all the buffers provided for in Basel III (progressive until 2019), with the exception of the additional systemic institution buffer.

[5] The minimum requirement for own funds and eligible liabilities (MREL) ratio, for example.

- c) protect public funds by reducing to a minimum the need to seek exceptional public financial aid, and
- d) protect customer assets, in particular those of depositors.

Default by an institution involves a failure by it to comply with the minimum requirements for authorization to perform banking activities, namely it is unable to pay its debts or other obligations when required, it requires exceptional public financial aid (subject to limited exceptions) or the value of its commitments exceeds the value of its assets.

In addition to the bail-in procedure, the resolution authorities have extended powers to implement other resolution measures for failed banks or in certain circumstances the groups to which they belong, which may include (without limit): the total or partial sale of the bank's activities to a third party, the separation or spin-off of certain activities, the substitution or replacement of the bank as a debtor in relation to debt securities, the modification of the terms of debt securities (including modification of the maturity schedule and/or amount of interest), the suspension of listing and of admission for trading of financial instruments on regulated markets, the dismissal of executives or appointment of a special administrator, and the issuance of new capital instruments.

The exercise of the powers described above by the resolution authorities could lead to the (full or partial) impairment or conversion to shareholders' equity of the debt securities issued by BFCM. This could have a significant impact on the resources available to BFCM to redeem its securities. Moreover, if the Group's financial situation were to deteriorate or it was perceived that it could deteriorate, the existence of the measures provided for by the BRRD could spark a more rapid decline in the market value of the capital instruments and debt securities issued by BFCM.

5/ The Group's activities are highly concentrated in France, exposing the Group to risks linked to a potential downturn in French economic conditions.

The French market represents the largest share of the Group's net banking income and assets. In 2016, France accounted for approximately 78% of the Group's net banking income and approximately 90% of its customer credit risk originated in France at the end of 2016.

Because of the localization of the Group's business in France, a significant deterioration in French economic conditions would have a greater impact on the Group's results and financial condition than would be the case for a Group with more internationally diversified activities. An economic downturn in France could impact the credit quality of the Group's individual and business customers, make it more difficult for the Group to identify customers for new business that meet its credit criteria, and affect fee income by reducing life insurance policy sales, assets under management or brokerage activities. In addition, if house prices in France were to be significantly affected by adverse economic conditions, the Group's home loan activities and portfolio (which represented approximately 49% of the Group's total portfolio of customer loans, excluding accrued interest as of December 31, 2016) could be significantly and adversely affected.

6/ BFCM must maintain high credit ratings, or the Group's business and profitability could be adversely affected.

Credit ratings are important for liquidity, and therefore for that of the Group. A rating downgrade could have a negative impact on BFCM's liquidity and competitive position, increase borrowing costs, limit access to the capital markets or trigger obligations under certain bilateral provisions in some derivatives contracts of the Group's financing and market segment (CM-CIC Marchés). It could also mean the Group could be forced to provide additional guarantees for certain market transactions (over-the-counter, securities transactions, etc.).

On June 7, 2016, Fitch Ratings confirmed BFCM's A+ rating. After a change in its methodology, Moody's Investors Service initially raised BFCM's rating by one notch on June 30, 2015 then lowered it by one notch on September 23, 2015. BFCM's Aa3 credit rating was confirmed by the agency in 2016, as illustrated in its credit opinion of December 9th.

Standard & Poor's confirmed a rating of A for Crédit Mutuel[6] with an improvement in the outlook (from negative to stable) linked to the “improvement in the structure of the balance sheet and resilient results”.

The impacts of Moody's downgrade of France's rating from Aa1/negative outlook to Aa2/stable outlook on September 18, 2015 were felt across the entire economy. France is now at the same Aa2/AA rating at the three agencies. The outlook is stable except at S&P where it remains negative. Downgrades of France's sovereign rating would certainly mean a downgrade of BFCM's rating, which would have a negative impact on the Group's refinancing conditions.

The cost of BFCM’s long-term unsecured funding is directly related to its credit spread (the difference in the interest paid on its bonds and that paid on government bonds with the same maturity), which in turn depends in large part on its credit rating, which is itself correlated to a certain degree to the alternative support, and in smaller part on the sovereign risk rating. Increases in credit spreads can significantly increase BFCM’s cost of funding. Changes in credit spreads are continuous, market-driven, and subject at times to unpredictable and highly volatile movements. Credit spreads are also influenced by market perception of the issuer’s solvency. Credit spreads may also be influenced by changes in the cost of purchasing credit default swaps linked to certain BFCM bonds, which is influenced both by the credit quality of those bonds and by a number of market factors that are beyond the control of BFCM and the Group.

7/ Despite the risk management policies, procedures and methods implemented, the Group may be exposed to unidentified or unforeseen risks that could lead to material losses.

The Group has devoted significant resources to developing its risk management policies and corresponding risk assessment techniques, procedures and methods, and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in limiting its risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or foresee.

Some of the Group's qualitative tools and metrics for managing risk are based on use of observed historical market behavior. The Group then analyses the observed data, using statistical methods, to quantify its risk exposure. The Group uses complex and subjective analysis based on projected economic conditions and their impact on borrowers’ capacity to repay and the value of the assets to measure the losses linked to credit risk exposure and to assess the value of certain assets. During periods of market turbulence, such analysis could result in inaccurate estimates and call into question the reliability of these evaluation procedures.

These tools and metrics may incorrectly predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks and could affect its results.

Like all financial institutions, the Group is subject to the risk of non-compliance with its risk management policies and procedures, either through human error or malicious intent. In recent years, several financial institutions have suffered significant losses from unauthorized market activities conducted by employees. While the Group makes every effort to monitor compliance with its risk management policies and procedures, it is impossible to be certain that its monitoring will be effective in avoiding losses from unauthorized activities.

8/ Given the international scope of its activities, the Group may be vulnerable to specific political, macroeconomic and financial environments or specific situations in the countries where it operates.

The Group is subject to country risk, meaning the risk that economic, financial, political or social conditions in a foreign country will affect the Group's financial interests.

The Group’s country risk measurement and monitoring system is based on a proprietary scoring method. The internal score assigned to countries is based on the structural solidity of their economies, their repayment capacity, governance and political stability.

While the Group’s relatively limited international activities reduce its exposure to country risk compared with financial institutions that are more active internationally, the Group nonetheless has substantial business activities and affiliates in Germany, Spain, Italy and North Africa that could expose it to risks.

[6] *S&P's LT senior A rating is a Crédit Mutuel Group rating which applies to all of CM's federal bank (*caisses fédérales*) entities and to CIC.*

The Group monitors country risk and takes it into account in the provisions recorded in its financial statements. However, a significant change in a country’s political or macroeconomic environments may require the Group to record additional provisions or lead it to incur losses in amounts that exceed the current provisions.

With regard to Brexit, the unexpected decision of British voters sparked a strong reaction in the financial markets. Against the backdrop of a major political, economic and migration crisis, a relatively strong upheaval could put additional strain on a fragile economic environment. Amid such uncertainty, it is difficult to determine the medium and long-term macroeconomic impacts of Brexit. Although the Group does not have significant operations located in the UK and the risk of contagion to its other activities is relatively moderate, it is difficult to fully measure the future impacts of such a decision (Crédit Mutuel-CM11 Group and BFCM's presence in the UK is measured using certain indicators in several sections of this registration document: consolidated financial statements, risk figures, information on Pillar 3 of the Basel Accords). The London branch carries out in-depth monitoring of counterparties that could be substantially impacted by Brexit (notably importing companies for which a devaluation of the pound sterling could cause difficulties).

At this point, the process is still uncertain as the official negotiations on the terms of the UK's exit from the European Union have not yet begun (and they could last several years[7]). In fact, Article 50 of the Lisbon Treaty has only just been triggered by the UK. Consequently, the Group pays particular attention to the operational impacts of Brexit but it has not yet measured them (notably in light of future events).

Similarly, the election results in the US are likely to have consequences for the Group, even though its exposure to the US is limited. The uncertainties around the new administration's policies make it difficult to assess the related risks (notably concerning regulatory changes). As such, the underlying consequences will have to be evaluated. In this context, the Group's level of exposure to American counterparties could change, for better or for worse.

9/ The Group is subject to numerous regulations, which may change.

Several regulatory and supervisory regimes apply to the Group and its subsidiaries in France and in each of the other countries in which it operates. Non-compliance could lead to significant intervention by regulatory authorities as well as fines, public reprimand, enforced suspension of operations or, in extreme cases, withdrawal of authorization to operate. The financial services industry has come under increased scrutiny from a variety of regulators in recent years, with increases in the penalties and fines sought by regulatory authorities, a trend that may accelerate in the current financial environment.

In addition, the policies and actions of regulatory authorities in France, other European Union or foreign governments and international agencies could have a strongly adverse impact on the businesses and earnings of Group entities. Such constraints could limit the ability of Group entities to expand their businesses or to pursue certain activities. The nature and impact of future changes in such policies and regulatory actions are unpredictable and beyond the Group’s control. Such changes could concern, among others, the following:

- the monetary, interest rate and other policies of central banks and regulators;
- general changes in government or regulatory policy that may significantly influence investor decisions, particularly in the markets in which the Group operates;
- general changes in regulatory requirements, for example, prudential rules relating to capital adequacy, such as the regulations implementing Basel III/CRD IV requirements;
- transformations linked to the new markets in financial instruments framework (MIF2). The directive and the two “MIFID 2” delegated regulations adopted by the European Commission on May 18th, 2016 define a new framework for markets in financial instruments (MIF2.) It is still not sure when the provisions of MiFID 2 and MiFIR will enter into force, but it may be 2018.
- changes underway in relation to the asset management business;
- introduction of the directive on banking resolution, and notably bail-in risk (cancellation or conversion into debt-linked shares, including bonds), in the event of court-ordered protection or resolution proceedings;
- changes in rules and procedures relating to internal controls;

[7] Two years from the exercise by the UK of its right of withdrawal.

- changes concerning the management, aggregation, conservation and retrieval of data, notably for reports used in risk management (cf. BCBS 229 requirements);
- changes in financial reporting rules;
- changes in tax law or its application;
- changes in accounting standards;
- limitations on employee compensation;
- expropriation, nationalization, price controls, exchange controls, confiscation of assets and changes in legislation relating to foreign ownership; and
- any adverse change in political, military or diplomatic conditions creating social instability or an uncertain legal situation capable of affecting demand for the products and services offered by the Group.

The measures adopted recently that have or are likely to have an impact on the Group include (i) the Order of June 27, 2013 on credit institutions and financing companies, which came into force on January 1, 2014; the French Law of July 26, 2013 that provides for the separation of speculative transactions from activities useful for the funding of the economy as well as creating a principle of prioritizing charging losses to the shareholders and creditors. This Law gives the ACPR extensive powers to intervene, for instance to remove senior executives, or transfer all or part of the activities or assets (ii) the order of February 20, 2014 concerning various provisions concerning the adjustment of French legislation in line with EU law on financial matters; the directive and regulation on regulatory shareholders' equity known as CRD IV dated June 26, 2013, of which a large number of provisions have been applicable since January 1, 2014; draft regulation on technical standards and execution relating to the CRD IV directive and regulation prepared by the EBA, (iii) 2013 consultation on the structural reform of the EU's banking sector and the European Commission's proposal to structurally reform the European banking sector of January 29, 2014; the proposed regulation on benchmark indices, (iv) the European single supervisory mechanism; the European single resolution mechanism, and the European bank recovery and resolution directive.

Certain transformations concerning specialized businesses such as asset management and insurance are also likely to have an impact on the Group. For example:

- regulatory changes underway in relation to the asset management business. In particular, following the transposition into French law of the "OPCVM5" directive via order No. 2016-312 of March 17, 2016. The main measures concern (i) the function of custodian, notably in terms of missions and responsibility, (ii) the remuneration policies of portfolio management companies, and (iii) the sanctions applicable to them.
- changes to certain life insurance practices (i.e. the SAPIN II law) and the fiscal uncertainty that currently exists in light of the electoral environment in France.

The ECB carried out a review of balance sheets and conducted stress tests on Europe's largest banks, including the Group. The results of this review were published in October 2014; even though the Group passed these tests and the solidity of its balance sheet and quality of its assets were confirmed, it is possible that future reviews conducted by the ECB, especially when the next series of stress tests are conducted, will give rise to recommendations concerning the Group. A new series of stress tests was conducted by the EBA in 2016 and although the Group was ranked among the most resilient banks, other exercises could call for a need to implement corrective measures.

Moreover, the ECB is initiating targeted stress tests on an increasingly regular basis. For example, in addition to daily stress tests on liquidity carried out from March 28, 2017 to April 3, 2017, the ECB carried out a stress test on interest rate risk in Crédit Mutuel's consolidated banking scope in March 2017.

Aside from the Single Supervisory Mechanism, the European Parliament adopted the BRRD, which increases the powers of prevention and resolution of banking crises in order that the losses are borne, as a priority, by banks' creditors and shareholders. In this context, national resolution funds were established (between January 1, 2015 and January 1, 2016) and continue to be consolidated.

On July 14, 2014, the European Union Council adopted a regulation instituting the Single Resolution Mechanism (SRM), which institutes the Single Resolution Council (SRC) as the authority for the introduction of the Single Resolution Mechanism and the Single Resolution Fund (SRF) financed by the banks at national level. The Single Resolution Mechanism (SRM) will be applied as from January 1, 2016. In accordance with the SRM, on October 8, 2014, the European Commission adopted the delegated regulation on the temporary system of advances on contributions aimed at covering the Single Resolution Council's administrative expenses during the interim period. On December 19, 2014, the European Union Council adopted the execution Regulation proposed by the EC setting banks' contributions to the Single Resolution Fund, providing for annual contributions to the Single Resolution Fund by banks and calculated proportionally to the amount of their liabilities, excluding shareholders' equity and hedged deposits, and determined based on their risk profiles. After January 1, 2016, the Single Resolution Fund replaced the national resolution funds implemented pursuant to the BRRD. Consequently, the Group's contribution to the Single Resolution Fund led to an increase in expenses and therefore a negative impact on the Group's operating results in 2016. Lastly, the Directive of April 16, 2014 on deposit guarantee systems increasing the level of protection afforded to individuals' deposits in the event of a bank bankruptcy was adopted by the European Parliament on April 15, 2014.

10/ The Group is governed by a substantial and fluctuating body of regulations in the countries and regions where it operates, thereby exposing it to a risk of regulatory non-compliance.

The risk of non-compliance relates to inability to comply fully with all the rules governing financial and banking activities, whether legislative or regulatory, professional standards and ethics, instructions or rules of professional conduct. This risk is exacerbated by the adoption by different countries of multiple and sometimes contradictory legal and regulatory requirements.

The Group has a dedicated system for measuring these risks and their potential impact (financial losses and legal, administrative or disciplinary penalties) with the aim of safeguarding the Group’s reputation.

11/ The Group faces significant competition.

The Group faces intense competition in all its main businesses. The French and European financial services markets are relatively mature, and demand for financial services is, to some extent, linked to overall economic development. Competition in this environment is based on many factors, particularly the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve client needs. Some of the Group’s competitors in France are larger and have greater resources than the Group, and they may have a stronger name in some areas of France. The Group’s international subsidiaries also face significant competition from banks and financial institutions that have their head offices in the countries where they operate, as well as other international financial institutions that are active in those countries. If the Group is unable to respond to the competitive environment in France or in its other markets with attractive and profitable product and service offerings, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the global economy or in the economy of the Group’s major markets could add to the competitive pressure, though, for example, increased price pressure and lower business volumes for the Group and its competitors.

12/ Market downturns may lead to lower revenues from life insurance, brokerage, asset management and other commission- and fee-based businesses.

A market slowdown would lead to a decline in transaction volumes and slower growth of asset management, life insurance and similar products. These transactions and products generate fee and commission income for the Group, which could therefore be adversely affected in the event of a slowdown in these areas. This was the case during the financial crisis. In addition, because the fees that the Group charges for the management of its customers’ portfolios are in most cases based on the value or performance of those portfolios, a market downturn would reduce the value of the managed portfolios, and as a result, the revenues generated by the Group’s asset management and private banking businesses. Any future downturn could therefore have negative effects on the Group's results and financial position.

Even in the absence of a market downturn, any underperformance by the Group’s mutual funds and life insurance products may result in increased withdrawals and reduced inflows, which would reduce the revenues the Group receives from its asset management and insurance businesses.

13/ Uncertainty in the financial strength and conduct of other financial institutions and market participants could adversely affect the Group.

The Group’s ability to engage in funding, investment and derivative transactions could be adversely affected by uncertainty on the strength of other financial institutions or market participants. Financial institutions are closely interrelated as a result of their trading, clearing, counterparty, funding or other activities. As a result, default by, or even rumors or questions about the solvency of one or more financial services institutions, or a loss of confidence in the financial services industry generally, may lead to market-wide liquidity problems and could lead to further losses or defaults. The Group has direct or indirect exposure to many counterparties in the financial sector, including brokers and dealers, commercial banks, investment banks, collective investment funds and hedge funds, and other institutional clients with which it regularly executes transactions. Many of these transactions expose the Group to credit risk in the event of default. In addition, this risk could be exacerbated if the collateral it holds cannot be realized or is liquidated at prices that are not sufficient to cover the full amount of the loan or derivative exposure.

14/ Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and possibly leading to material losses.

In some of the Group's businesses, prolonged market movements, particularly price falls, may reduce activity in the market or reduce its liquidity. These developments can lead to material losses if the Group cannot close out deteriorating positions in a timely way. This may be the case in particular for assets the Group holds for which there are not very liquid markets to begin with. Assets that are not traded on stock exchanges or other public markets, such as derivatives contracts between banks, may have values that the Group calculates using internal models rather than market prices. Monitoring the deterioration in the price of assets like these is difficult and could lead to losses that the Group did not anticipate.

For investment purposes, the Group takes positions in the debt, foreign exchange and equity markets as well as in unlisted equities, real-estate assets and other types of assets. Price volatility, i.e. the breadth of price swings over a given period or in a given market, independently of the level of the market, could have a negative impact on these positions. If the volatility proved lower or higher than expected by the Group, this could result in losses on many other products used by the Group, such as derivatives.

15/ Any significant interest rate change could have a negative impact on the Group's net banking income or profitability.

The amount of net interest income earned by the Group during any given period significantly affects its overall net banking income and profitability for that period. Interest rates are affected by numerous factors over which the Group has no control. Changes in market interest rates can have different effects on the interest rates applied to interest-bearing assets and the interest rates paid on contracted debt. Any adverse change in the yield curve could cause a decline in the Group's net interest income from its lending activities. In addition, increases in the interest rates at which short-term funding is available and maturity mismatches may have a negative impact on the Group's profitability.

16/ A substantial increase in net additions to impairment provisions or a shortfall in the level of previously recorded impairment provisions could adversely affect the Group's results and financial position.

In the context of its lending activities, the Group periodically allocates amounts to provisions for non-performing loans, which are recorded in its income statement under net additions to provisions for loan losses. The Group's overall level of provisioning is based upon its assessment of prior loss experience, the volume and type of lending, industry standards, past due loans, economic conditions and other factors reflecting the recovery rates for the various loans.

Although the Group seeks to establish an appropriate level of provisions, its lending businesses may have to increase their provisions for loan losses in the future as a result of increases in non-performing assets or for other reasons, such as deteriorating market conditions giving rise to an increase in counterparty defaults and bankruptcies, or factors affecting specific countries. Any significant increase in provisioning charges for loan losses or a significant change in the Group's estimate of the risk of loss inherent in its portfolio of non-impaired loans, or any change in IFRS, as well as the occurrence of loan losses in excess of the provisions set aside, could have an adverse effect on the Group's earnings and financial position. As such, the future entry into force of IFRS 9, which changes provisioning methodologies, is a risk factor for the Group as it will have to adjust its methodologies and maintain consistency in its estimate levels.

17/ The Group's hedging strategies do not rule out the risk of loss.

If any of the variety of instruments and strategies that the Group uses to hedge its exposure to various types of risk in its businesses is not effective, the Group may incur losses. Many of its strategies are based on historical trading patterns and correlations. For example, if the Group holds a long position in an asset, it may hedge that position by taking a short position in an asset where the short position has historically moved in a direction that would offset a change in the value of the long position. However, the Group may only be partially hedged, or these strategies may not be fully effective in mitigating the Group's risk exposure in all market environments or against all types of risk in the future. Unexpected market developments may also affect the Group's hedging strategies. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in the Group's reported earnings.

18/ The Group's ability to attract and retain qualified employees is critical to the success of its business and failure to do so may materially affect its performance.

The Group's employees are one of its most essential resources and, in many areas of the financial services industry, competition for qualified personnel is intense. The results of the Group depend on its ability to attract new employees and to retain and motivate its existing employees. The Group's ability to attract and retain qualified employees could potentially be impaired by enacted or proposed legislative and regulatory restrictions on employee compensation in the financial services industry. Changes in the business environment may lead the Group to move employees from one business to another or to reduce the number of employees in certain of its businesses. This may cause temporary disruptions as employees adapt to new roles and may reduce the Group's ability to take advantage of improvements in the business environment. In addition, current and future laws (including laws relating to immigration and outsourcing) may restrict the Group's ability to move responsibilities or personnel from one jurisdiction to another. This may impact the Group's ability to take advantage of business opportunities or potential efficiencies.

19/ Future events may be different from those reflected in the management assumptions and estimates used in the preparation of the Group's financial statements, which may cause unexpected losses in the future.

Pursuant to IFRS rules and interpretations in effect at the date of this report, the Group is required to use certain estimates in preparing its financial statements, including accounting estimates to determine loan loss provisions, provisions for future litigation, and the fair value of certain assets and liabilities, among other items. Should the Group's estimates prove substantially inaccurate, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, the Group may experience unexpected losses.

20/ An interruption in or breach of the Group's information systems may result in lost business and other losses.

Like most other banks, the Group relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Group's customer relationship management, general ledger, deposit, servicing and/or loan organization systems. If the Group's information systems were to fail, even for a short period of time, it would be unable to serve some customers' needs in a timely manner and could lose their business. Likewise, a temporary shutdown of the Group's information systems, even though it has back-up recovery systems and contingency plans, could result in considerable costs for information retrieval and verification. The Group cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. Any such failure or interruption could have a material adverse effect on the Group's financial position and results.

The Group is also exposed to the risk of operational interruption or breakdown of one of its providers of clearing, currency market, clearing house, custodian services, or other financial intermediaries or outside service providers it uses to undertake or facilitate transactions on securities. Insofar as interconnectivity increases with its service providers, the Group can be increasingly exposed to the risk of operational failure of its providers’ information systems. The Group cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed.

21/ Unforeseen events could interrupt the Group’s operations and cause substantial losses and additional costs.

Unforeseen events such as severe natural disasters, pandemics, terrorist attacks or other states of emergency could lead to an abrupt interruption of operations of entities in the Group, and, to the extent not partially or entirely covered by insurance, may cause substantial losses. Such losses can relate to property, financial assets, trading positions and key employees. Such unforeseen events may also disrupt the Group’s infrastructure, or that of third parties with which it conducts business, and lead to additional costs (such as employee relocation costs) and push up existing costs (such as insurance premiums). Such events may also make insurance cover for certain risks unavailable and thus increase the Group’s global risk.

22/ Reputational risk could have a negative impact on the Group’s profitability and business outlook.

Various issues may give rise to reputational risk and damage the Group and its business prospects. These issues include inappropriately dealing with potential conflicts of interest, legal and regulatory requirements, competition issues, ethical issues, money laundering laws, information security policies and sales and trading practices. The Group’s reputation could also be damaged by an employee’s misconduct, or fraud or embezzlement by financial operates to which the Group is exposed, any downward revision, restatement or correction of its reported results and any legal or regulatory proceeding whose outcome may be negative. Any damage to the Group’s reputation might lead to a loss of business that could impact its earnings and financial position. Failure to address these issues adequately could also give rise to additional legal risk, which might increase the number of litigation claims and the amount of damages asserted against Group entities, or subject Group entities to regulatory sanctions.

23/ The legal risks to which the Group is exposed could have an adverse effect on its financial position and results.

The Group and some of its employees could be involved in various lawsuits, including civil, administrative and criminal proceedings. The large majority of these proceedings come within the scope of the Group's ordinary activities. Lawsuits increase the risk of losses or of damage to the Group's reputation. Such proceedings or regulatory enforcement measures could also give rise to civil or criminal penalties, which would undermine the Group's activity, financial position and operating income. It is inherently difficult to predict the outcome of lawsuits, regulatory proceedings and orders involving Group entities, in particular if they are initiated by various types of plaintiff, if the amount of interest claimed is not specified or not known, even more so if it is an unusual proceeding.

When preparing these financial statements, the Group estimated the consequences of legal, regulatory and arbitration proceedings in which it was involved and recognized a provision when the losses associated with these proceedings were likely and could be reasonably estimated. If such estimates prove to be inaccurate or the provisions recognized by the Group prove to be insufficient to cover the risks arising from these proceedings, it could have an adverse material effect on the Group's financial position and results.

24/ BFCM does not hold any ownership or financial interest in the Local Cooperative Banks.

BFCM does not own any interest in the Local Cooperative Banks. BFCM does not share in the profits and losses of the Local Cooperative Banks. Its economic interest in the results of the Local Cooperative Banks’ operations is limited to the financing it provides in its capacity as the Group’s funding arm. Moreover, BFCM has no voting rights or other rights to influence the management, strategy or policies of the Local Cooperative Banks.

25/ The Local Cooperative Banks control BFCM and their interests may differ from those of investors in the securities issued by BFCM.

Almost all BFCM shares are directly or indirectly owned by the Local Cooperative Banks, including 93% through the Caisse Féderale de Crédit Mutuel (CFdeCM). As a result, CFdeCM and the Local Cooperative Banks have the power to control the outcome of all votes at meetings of BFCM’s shareholders, including votes on decisions such as the appointment or approval of members of its board of directors and the distribution of dividends. While maintaining BFCM's reputation as a leading issuer is of major importance for the Group, it could happen that some decisions taken by BFCM Shareholders' Meetings could be contrary to the interests of BFCM bondholders.

26/ BFCM does not participate in the solidarity mechanisms specific to the Local Cooperative Banks.

The Local Cooperative Banks are not under any obligation to support BFCM’s liquidity or solvency in the event such support were needed. While BFCM’s credit ratings are based in part on the rating agencies’ assumption that such support would be available if needed due to the key role played by BFCM in the Group’s financial structure, this assumption is based solely on the views of the rating agencies regarding the economic interest of the Local Cooperative Banks, and not on any legal obligation. If

BFCM's financial condition were to deteriorate, there can be no assurance that the Local Cooperative Banks or CFdeCM would recapitalize or otherwise provide support to BFCM.

27/ Local Cooperative Banks that conduct their business under the Crédit Mutuel name but belong to federations that are not part of the Group.

Of the 18 Crédit Mutuel federations operating in France, only 11 federations comprise the Group. The banks of seven other federations use Crédit Mutuel's name and logo, or their non-mutual subsidiaries, disclose their membership of Crédit Mutuel. If one or more of the Crédit Mutuel federations that are outside the Group were to experience difficulties, such as a business downturn, a deterioration in asset quality or a rating downgrade, it is possible that the market would fail to understand that the federation in difficulty is not part of the Group. In such event, difficulties experienced by a federation outside of the Group could adversely affect the reputation of the Group and/or have an impact on the Group's financial position and earnings

28/ The Group's Local Cooperative Banks are part of a mutual financial support mechanism that includes all eighteen Crédit Mutuel federations.

The eighteen Crédit Mutuel federations have a mutual financial support mechanism that could require the Local Cooperative Banks in the Group to provide support to local banks in federations that are outside the Group. While the support system for a local bank would initially be implemented at the regional level, within such local bank's federation, if the resources available at the regional level were insufficient, then the national support mechanism could be called upon, requiring support from other federations. While the Local Cooperative Banks in the Group also benefit from the support of the federations that are outside the Group, they remain exposed to risks relating to local cooperative banks that are not part of the Group.

29/ Some aspects of the Group's governance are subject to the decisions taken by the Confédération Nationale du Crédit Mutuel.

Under French law, certain matters relating to the governance of the eighteen Crédit Mutuel federations (including 11 in the Group and seven outside the Group) are determined by a central body known as the Confédération Nationale du Crédit Mutuel ("CNCM"). The CNCM represents all local cooperative banks in the eighteen federations in dealings with French bank regulatory and supervisory authorities. In addition, the CNCM has the power to exercise financial, technical and administrative oversight functions relating to the organization of the Crédit Mutuel banks, and to take steps to ensure their proper functioning, including striking a bank from the list of banks authorized to operate as part of the Crédit Mutuel system.

III.3.2 –Credit risk

III.3.2.1 - Organization of the lending unit

In accordance with applicable regulations, the lending unit is organized mainly around the two following mechanisms:

- loan approvals;
- risk assessment, the monitoring of commitments and management of at-risk items.

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

Loan origination procedures

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

Know-your-customer

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

Risk assessment

Risk assessment draws on various analyses performed at different stages in the lending cycle including, in particular:

- customer ratings;
- risk groups;
- the weighting of products according to the type of risk involved and the collateral pledged and guarantees received.

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

Customer ratings: a single system for the entire Group

In accordance with the applicable regulations, the Group's internal customer rating system is at the core of the Group's credit risk procedures and used in determining approval, payment, pricing and monitoring. All loan origination decisions are based on the counterparty's rating. The lending unit approves the internal ratings of all loan files for which it is responsible.

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 common to the entire Crédit Mutuel Group.

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

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

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

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

Risk groups (counterparties)

Individuals or legal entities that constitute a single risk because one of them, directly or indirectly, has control over the other or others or because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the others would be likely to encounter funding or repayment difficulties, are considered a "group of connected clients."

Risk groups are established based on a procedure that incorporates the provisions of Article 4.1.39 of EU regulation 575/2013.

Product and guarantee weightings

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

Loan origination process

The loan origination process is essentially based on:

- a formalized risk analysis of the counterparty;
- the internal rating applied to the counterparty or group of counterparties;
- approval levels;
- the dual review principle;
- the maximum lending limits that have been determined in proportion to the bank's equity;
- whether the interest rate is adapted to the loan's risk profile and capital consumption.

The group uses a real-time automated decision-making process. As soon as a loan application has been completed, the electronic loan file is automatically transmitted to the relevant decision maker at the appropriate level.

Approval levels

The customer relationship manager is responsible for ensuring the completeness, quality and reliability of the information collected. In accordance with Article 107 of the French Decree of November 3, 2014, the manager compiles loan files intended to formalize all qualitative and quantitative information on each counterparty. The manager checks the reliability of the information gathered either with customers or using any external means (sector studies, annual reports, legal information and rating agencies) or internal means at his disposal. Customer relationship managers are each responsible for any decisions they take or cause to be taken and are endowed with personal approval powers.

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

Approval powers reflect a range of commitment caps based on:

- the rating;
- the total amount of commitments for a given counterparty or risk group, weighted where relevant depending on the type of loan concerned or the eligible guarantees;
- any specific exclusions.

Role of the lending unit

Each regional bank has a lending team, which report directly to Executive Management and are independent of the operating departments. It has two key roles and is therefore split into two independent teams, whose responsibilities are as follows:

- one team is responsible for checking that the loan origination decisions are appropriate based on the dual review principle while verifying that the expected return is commensurate with the risk taken;
- the other team is responsible for prudential oversight and credit risk assessment arrangements, and also for the performance of permanent controls.

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

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

Risk assessment

To assess risk, Crédit Mutuel-CM11 Group uses an array of tools that provide an aggregated, static and dynamic view of:

- the exposure to a given counterparty or group of counterparties;
- new and existing loans, based on elements adapted to suit the business lines concerned (rating, market, lending products, business segments, remuneration).

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

Commitment monitoring

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

This monitoring is conducted independently from the loan origination process and is in addition to and in coordination with the actions taken mainly by first-level control in the lending units, 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 regulatory corporate limits applicable to the Crédit Mutuel-CM11 scope pursuant to CRBF regulation 93-05 are calculated based on regulatory shareholders' equity and internal counterparty ratings. The regulatory limits are monitored using specific methods (and at specific frequencies) which are defined in the related procedures.

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

Permanent controls on commitments

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

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

Management of At-risk Items

A unified definition of default based on Basel and accounting requirements

A unified definition of default has been introduced for the entire Group. Based on an alignment of prudential rules to accounting regulations (ANC (*Autorité des Normes Comptables* — Accounting Standards Authority) Regulation 2014-07 of November 26, 2014/Regulation (EU) 575/2013), this definition draws a correlation between the Basel concept of default and the accounting notion of non-performing loans and loans in litigation. The information systems take contagion into account, thereby allowing related loans to be downgraded.

Identification of At-risk Items

The process involves identifying all loans to be considered "At-risk Items" and then allocating them to the category corresponding to their situation: sensitive (not downgraded), non-performing, irrecoverable 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 counterparties concerned are managed differently according to the severity of the situation: at the branch level by the customer relationship manager or by dedicated teams specialized by market, type of counterparty or collection method.

III.3.2.2 – Quantified data

III.3.2.2.1 Summary credit risk exposure (balance sheet and off-balance sheet)

Exposure

Total gross exposure came to €360.9 billion, down 2.1% compared with year-end 2015. Loans to customers totaled €332.2 billion, up by 8.7% in relation to 2015, while loans to credit institutions fell 54.4%.

(€ million)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Loans & receivables			
Credit institutions	28,698	28,387	62,920
Customers	332,219	319,716	305,593
Gross exposure	**360,917**	**348,103**	**368,514**
Impairment provisions			
Credit institutions	0	0	0
Customers	-8,491	-8,179	-8,380
Net exposure	**352,426**	**339,924**	**360,134**

Source: Accounting - excluding repurchase agreements.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation method)*

Commitments given

(€ million)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Financing commitments given			
Credit institutions	1,316	1,316	1,242
Customers	56,784	55,448	53,490
Guarantee commitments given			
Credit institutions	2,591	779	1,322
Customers	15,676	15,394	15,433
Provision for risks on commitments given	**133**	**122**	**126**

Source: Accounting - excluding repurchase agreements.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation method)*

III.3.2.2.2 – Customer loans

Loans to customers, excluding repos, totaled €332.2 billion, up by 8.7% compared with 2015. On-balance sheet medium- and long-term loans increased by 7.3%, while short-term loans were up by 15.0% (5.7% and 1.9% respectively at constant scope).

(€ million)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Short-term loans	**70,205**	**62,184**	**61,048**
Overdrawn current accounts	7,733	7,566	7,698
Commercial loans	13,042	5,999	6,164
Short-term credit facilities	48,312	47,532	46,435
Export credits	1,118	1,087	751
Medium- and long-term loans	**247,834**	**244,047**	**230,939**
Equipment loans	68,976	68,233	52,858
Housing loans	161,287	160,647	155,910
Finance leases	12,432	10,029	9,654
Other loans	5,139	5,138	12,518
Total gross customer loans, excluding non-performing	**318,039**	**306,231**	**291,988**
Non-performing loans	13,473	12,813	12,981
Accrued interest	707	671	624
Total gross customer loans	**332,219**	**319,716**	**305,593**

Source: Accounting - excluding repurchase agreements.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation*

(€ million)	12/31/2016 new in consolidation scope	12/31/2016 weight
Short-term loans	**8,021**	**67.9%**
Overdrawn current accounts	166	1.4%
Commercial loans	7,042	59.6%
Short-term credit facilities	781	6.6%
Export credits	31	0.3%
Medium- and long-term loans	**3,787**	**32.1%**
Equipment loans	744	6.3%
Housing loans	640	5.4%
Finance leases	2,403	20.3%
Other loans	1	0.0%
Total gross customer loans, excluding non-performing	**11,808**	**100.0%**
Non-performing loans	660	
Accrued interest	35	
Total gross customer loans	**12,503**	
Impairment provision	**-312**	

Source: Accounting - excluding repurchase agreements.

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 97.8% of the loans and receivables due from customers.

Performing loans to customers by internal rating:

Performing loans to customers by internal rating	12/31/2016	12/31/2015
A+ and A-	39.7%	39.5%
B+ and B-	27.8%	27.6%
C+ and C-	21.4%	21.1%
D+ and D-	9.0%	9.5%
E+	2.2%	2.4%

Source: Risk Management.

Crédit Mutuel-CM11 Group scope excluding Targobank Germany and factoring and leasing entities acquired from GE Capital in France and in Germany ; including Cofidis, foreign branchs of CIC and private bank. Targobank Spain included

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

Focus on home loans

Outstanding home loans increased by 3.4% in 2016 and accounted for 51% of total gross customer loans. Home loans are divided among a very large number of customers and are 87% backed by real property sureties or first-rate guarantees.

(€ million)	12/31/2016	12/31/2015
Housing loans	**161,287**	**155,910**
Secured by Crédit Logement or Cautionnement Mutuel Habitat	64,002	60,371
Secured by mortgage or equivalent, low-risk guarantee	76,790	75,733
Other guarantees*	20,496	19,806

Source: Accounting. (*) Other risk-level mortgages, pledges, etc.

Breakdown of loans by customer type

The breakdown of loans by customer type takes into account all the Crédit Mutuel-CM11 Group entities.

	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Retail	76%	79%	79%
Corporates	21%	18%	18%
Large corporates	1%	1%	1%
Specialized financing and other	2%	2%	2%

Source : Risk management / Financial Dpt

Crédit Mutuel-CM11 Group scope excluding foreign branchs of CIC ; including Targobank Germany and Cofidis, GACM

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation*

Geographical breakdown of customer risk

98% of the identified country risk is in Europe.

With marginal exceptions, the country risk exposure of the portfolio is centered on France and the OECD countries.

Geographical breakdown of customer risk	12/31/2016	12/31/2015
France	87%	89%
Europe, excluding France*	10%	9%
Rest of the world	2%	2%

Source: Accounting.

** Outstanding loans and receivables from customers in the United Kingdom account for 0.5% of the group's outstanding customer loans*

Concentration risk/Exposure by segment

Concentration risk and exposure by segment are addressed in the chapter "Information on Pillar 3 of the Basel Accords, as transposed in European regulations."

Major risks

CORPORATE

Concentration of customer credit risk	12/31/2016	12/31/2015
*** Gross commitments in excess of € 300m**		
Number of counterparty groups	53	44
Total commitments (€m)	32,020	26,821
of which total statement of financial position (€m)	12,829	9,694
of which total off-statement of financial position guarantee and financing commitments	19,192	17,127
*** Gross commitments in excess of € 100m**		
Number of counterparty groups	166	148
Total commitments (€m)	49,916	43,470
of which total statement of financial position (€m)	22,055	17,181
of which total off-statement of financial position guarantee and financing commitments	27,861	26,288

Source : DGR Crédit Mutuel-CM11 Group - weighted risks in thousand €

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

Concentration of customer credit risk	12/31/2016	12/31/2015
*** Gross commitments in excess of € 300m**		
Number of counterparty groups	8	9
Total commitments (€m)	5,505	5,509
of which total statement of financial position (€m)	4,236	3,835
of which total off-statement of financial position guarantee and financing commitments	1,268	1,674
*** Gross commitments in excess of € 100m**		
Number of counterparty groups	32	33
Total commitments (€m)	9,305	9,615
of which total statement of financial position (€m)	7,357	7,023
of which total off-statement of financial position guarantee and financing commitments	1,948	2,593

Source : DGR Crédit Mutuel-CM11 Group - weighted risks in thousand €

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

At-risk items and cost of risk

Non-performing loans and loans in litigation rose to €13,473 million at December 31, 2016, compared with a total of €12,981 million at December 31, 2015. They fell by 1.3% at constant scope. These loans accounted for 4.0% of total customer loans compared with 4.2% at the end of 2015.

At year-end 2016, actual net provisioning for known risks calculated on an individual basis represented 0.258% of gross outstanding customer loans, compared with 0.270% at December 31, 2015. The cost of total customer risk, which includes provisions for collectively impaired receivables, amounted to 0.244% of the gross outstanding customer loans, compared with 0.260% as of December 31, 2015.

Cost of risk

	constant scope		current scope***	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cost of total customer risk*	**+0.24%**	**+0.26%**	**+0.22%**	**+0.26%**
Banking networks *1	+0.13%	+0.13%	+0.10%	+0.13%
*Individuals **2*	*+0.04%*	*+0.06%*	*+0.04%*	*+0.06%*
*Housing Loans **2*	*+0.03%*	*+0.05%*	*+0.03%*	*+0.05%*
Consumer credit - Targobank Germany*	+1.09%	+1.02%	+1.09%	+1.02%
Consumer credit - Cofidis*	+2.44%	+2.89%	+2.50%	+3.05%
Financing *3	+0.22%	+0.16%	+0.22%	+0.16%
Private banking*	+0.04%	-0.07%	+0.04%	-0.07%

Source: Accounting and Risk management

(+) depreciation (-) reversal

1 network excluding Targobank Germany, Cofidis and network support subsidiaries

2 excluding Targobank Spain

3 Corporates, International (including foreign subsidiaries), Specialized financing

4 current scope in 2016 : including Targobank Spain, Factofrance, Cm-CIC Leasing Solutions, Targo Leasing, Targo Factoring, Targo

** including collective provisions*

*** excluding collective provisions*

**** excluding factoring and leasing entities acquired from GE Capital in France and in Germany, Targobank Spain (change in consolidation method), Cofidis excluding Banif activity (acquired in 2015)*

Quality of customer risks

(€ million, year-end principal balances)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Individually impaired receivables	13,473	12,813	12,981
Individual impairment	8,012	7,718	7,863
Collective impairment	479	460	518
Coverage ratio	63.0%	63.8%	64.6%
Coverage ratio (individual impairment only)	59.5%	60.2%	60.6%

Source : Accounting.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany, Targobank Spain (change in consolidation method)*

Outstanding loans to customers that are overdue but not impaired

Past due outstanding loans as of 12/31/2016

Dec. 31, 2016 (€ million)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	TOTAL
Debt instruments (1)	0	0	0	0	0
Loans & receivables	3,633	60	193	5	3,891
Due to central banks	0	0	0	0	0
Governments	0	1	1	0	2
Credit institutions	48	0	0	0	49
Other financial sector	125	2	84	4	215
Non-financial companies	371	2	12	0	384
Retail customers	3,058	55	97	1	3,210
Total	3,633	60	193	5	3,891

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

Past due outstanding loans as of 12/31/2015

Dec. 31, 2015 (€ million)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	TOTAL
Debt instruments (1)	0	0	0	0	0
Loans & receivables	3,255	100	148	54	3,557
Due to central banks	0	0	0	0	0
Governments	29	1	1	0	31
Credit institutions	0	0	0	0	0
Other financial sector	84	2	13	3	102
Non-financial companies	371	23	26	9	429
Retail customers	2,771	73	108	42	2,995
Total	3,255	100	148	54	3,557

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

III.3.2.2.3- Interbank loans [v]

Interbank loans by geographic region

Interbank loans by geographic region	12/31/2016	12/31/2015
France	80.5%	79.2%
Europe, excluding France	13.4%	13.3%
Rest of the world	6.0%	7.5%

Source: Counterparty Financial Information Department. Banks only.

The structure of interbank loans by geographic region is broken down into the country in which the borrowing institution is located.

At year-end 2016, exposures mainly concerned European banks, in particular French and German banks. The weight of interbank loans located in Europe and primarily in France increased, while the weight of loans in other countries decreased.

Structure of interbank exposure by internal rating

Structure of interbank exposure by internal rating	Equivalent external rating	12/31/2016	12/31/2015
A +	AAA/AA+	6.0%	11.3%
A -	AA/AA-	53.6%	51.0%
B +	A+/A	15.8%	13.6%
B -	A-	15.6%	18.2%
C and below (excluding default ratings)	BBB+ and below	8.9%	5.8%
Not rated	-	0.0%	0.0%

Source: Counterparty Financial Information Department. Banks only. Excluding entities in standard method.

Interbank exposure is broadly concentrated in the highest internal rating notches, with 91.1% of exposures rated between A+ and B- at end-2016 (or an external equivalent of AAA to A-), compared with 94.2% in 2015.

III.3.2.2.4- Sovereign risk

Sovereign risk is presented in Note 7c to the consolidated financial statements of Crédit Mutuel-CM11 Group.

III.3.2.2.5- Debt securities, derivative instruments and repurchase agreements

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

Debt securities (€ million, year-end principal balances)	Carrying amount as of Dec. 31, 2016	Carrying amount as of Dec. 31, 2015
Debt securities	**113,311**	**121,447**
Of which, government securities	16,680	26,104
Of which, bonds	96,631	95,343
Derivative instruments	**8,420**	**8,206**
Repurchase agreements & securities lendin	**15,278**	**14,419**
Gross exposure	**137,009**	**144,072**
Provisions for impairment of securities	-49	-69
Net exposure	**136,960**	**144,003**

Source: Accounting.

III.3.3 –Asset-liability management (ALM) risk

III.3.3.1 – Organization

The Crédit Mutuel-CM11 Group's asset-liability management functions are centralized.

The Crédit Mutuel-CM11-CIC Group's decision-making committees for matters concerning liquidity and interest-rate risk management are as follows:

- The ALM technical committee manages liquidity and interest rate risk in accordance with the risk limits applied within the Crédit Mutuel-CM11 Group. The committee is composed of the heads of the relevant business lines (finance department, asset-liability management, refinancing and treasury, risks, marketing) and meets at least on a quarterly basis. The indicators compiled at consolidated level and by entity are static and dynamic liquidity gaps (normal and Basel III scenarios), static interest-rate gaps and sensitivity of net banking income and net asset value. All limit breaches are examined by the ALM technical committee.
- The ALM monitoring committee comprises the senior executives of the Crédit Mutuel-CM11 Group together with representatives of the treasury, financial, asset-liability management and risk functions; it examines changes in risks related to asset-liability management and validates the risk limits and alert thresholds. The ALM monitoring committee validates breaches (twice a year).

Hedging decisions are aimed at maintaining the risk indicators (net interest income sensitivity and gaps) within the limits set for Crédit Mutuel-CM11 as a whole and below the alert thresholds for each of the banks comprising the Group. The hedges are assigned to the banks concerned, in accordance with their needs.

ALM analyses are also presented every quarter to the Group risk committee. Interest-rate risk and liquidity risk are also reviewed every six months by the boards of directors of the CF de CM, FCMCEE, BFCM and other Crédit Mutuel-CM11 Group entities (CIC regional banks, BECM, etc.).

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.

III.3.3.2 – Interest risk management *

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.).

The Group uses a combination of macro hedging and specific hedging to manage residual interest-rate risk arising from all operations connected with the banking network's business, as well as customer loans involving a material amount or an unusual structure. Risk limits are set in relation to the annual net banking income of Crédit Mutuel-CM11 Group. Each Crédit Mutuel-CM11 Group bank is subject to the same alert threshold levels as the limits applicable to the Crédit Mutuel-CM11 Group scope as a whole. The technical committee decides which hedges to 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 on a quarterly basis.

1 – **The static fixed-rate gap**, corresponding to items in the balance sheet, assets and liabilities, whose cash flows are considered to be certain over a horizon of one month to fifteen years, governed by limits or alert thresholds from three to seven years, measured by a net banking income ratio.

2 – **The static "saving rate and inflation" gap** over a horizon of one month to fifteen years.

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

Several interest rate scenarios are analyzed:

Normalized interest rate shocks:

1. A 100bp increase in the yield curve (used for limits/alert thresholds)

2. A 100bp decrease in the yield curve, with no floor rate (used for limits/alert thresholds)

3. A 200bp increase in the yield curve

4. A 200bp decrease in the yield curve with a floor rate of 0%

5. A steepening of the yield curve due to a 25bp increase in long-term rates every six months over two years (cumulated shock of 100bp), with short-term rates remaining sable

Stress scenarios:

6. Flattening/inversion of the yield curve due to a 50bp increase in short-term rates every six months over two years (cumulated shock of 200bp) with regulated rates fixed at the first two of these rate revisions (over one year)

7. Flattening of the yield curve due to a fall in long-term rates (a yield curve close to zero)

Assumptions used in funding the liquidity gap: two scenarios are looked at in funding the liquidity gap:

- Funding at 100% of the 3-month Euribor
- Alternative funding applicable to relevant scenarios (non-linear and non-progressive evolution of interest rate scenarios), based on a distinct indexation of positions in stock (indexation at short-term rates maintained), of positions resulting from new business (based on the intrinsic characteristics of the underlying positions).

With regard to the core scenarios (scenarios 1 and 2), Crédit Mutuel–CM11 Group (commercial bank and holding company) shows sensitivity to a 0.16% fall in interest rates in one year (-€16.4 million in absolute value). In two years, the Group is exposed to a 0.89% fall in interest rates to the tune of -€90.9 million in absolute value.

The risk limits (net banking income sensitivity of 3% in one year and 4% in two years) applicable to Crédit Mutuel-CM11 were complied with.

CM11 commercial bank's NBI sensitivity indicators (excluding the holding company):

Normalized interest rate shocks	Sensitivity as a % of NBI		Limit	
	1 year	2 years	1 year	2 years
Scenario S1	0.84%	1.80%	3%	4%
Scenario S2	-0.16%	-0.89%	3%	4%
Scenario S3	1.26%	3.68%		
Scenario S4	0.90%	-2.51%		
Scenario S5	0.19%	2.09%		

Scenario S1 constant balance sheet	0.43%	0.99%
Scenario S2 constant balance sheet	0.23%	-0.14%

Stress scenarios	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6	0.17%	-3.07%
Scenario S6 bis (*)	0.59%	1.46%
Scenario S7	-0.66%	-2.67%
Scenario S7 bis (*)	-0.62%	-2.10%

(*): alternative funding rule

4 – **Sensitivity of Net Asset Value (NAV)** arising from the application of the Basel III indicator:

Since December 31, 2015, the sensitivity of Basel II net asset value (NAV) has been calculated in accordance with the EBA's recommendations:

- exclusion of capital and maturity of fixed assets on d+1
- discounting of flows using a swap rate curve (with no liquidity spread and no credit spread)
- as the average duration of non-maturing deposits is less than five years, the five-year cap required by regulation is irrelevant.

By applying a uniform 200 bp increase or decrease to the whole balance sheet (with a floor of 0% for market rates), it is possible to measure, as a percentage of equity, the change in the net discounted value of the main balance sheet items based on various scenarios.

The Crédit Mutuel–CM11 Group shows overall net asset value sensitivity (excluding equity) to a 2% fall in interest rates of -1.17% (-€433 million in absolute terms) in its Basel III capital ratio, for a Basel II limit of 20%.

Sensitivity of net asset value	As a % of total equity
Sensitivity + 200 bp	+0.6 %
Sensitivity - 200 bp	-1.2 %

III.3.3.3 – Liquidity risk management

The Crédit Mutuel-CM11 Group attaches great importance to the management of liquidity risk.

The Crédit Mutuel-CM11 Group’s liquidity risk management mechanism is based on the following procedures:

- compliance with the liquidity coverage ratio (LCR), which is representative of the Group’s short-term liquidity situation.
- calculating the static liquidity gap, based on contractual and agreed maturities and incorporating

off-balance sheet commitments; transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to five years and are subject to alert thresholds or limits.

- calculating the liquidity gap in a Basel III stress scenario, whose estimated future cash flows are based on net stable funding ratio (NSFR) weightings. transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to seven years and are subject to limits and alert thresholds in order to secure and optimize the refinancing policy.
- calculating the dynamic liquidity gap over five years, incorporating new loans granted, thereby facilitating measurement of future financing needs associated with the development of commercial activity.
- the ALM Technical Committee decides on the liquidity hedges to be put in place in light of all these indicators. These hedges are allocated pro rata to the cumulative needs.

Breakdown of the statement of financial position by residual maturity of future contractual cash flows (principal)

Interest is not taken into account in these tables.

2016	**Residual contractual maturities**							
(€ millions)	≤ 1 month (a)	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 year ≤ 5 years	> 5 years	No fixed maturity (b)	**Total**
Assets								
Financial assets held for trading	718	667	2,032	2,310	3,626	2,879	670	12,901
Financial assets at fair value through profit or loss	35	1	1	0	2,177	49	52	2,315
Derivatives used for hedging purposes (assets)	167	114	406	408	1,540	1,490	0	4,126
Available-for-sale financial assets	2,294	2,593	4,447	4,461	11,183	6,896	2,060	33,934
Loans and receivables (including finance leases)	51,552	17,045	31,833	31,854	78,658	156,214	407	367,563
Held-to-maturity investments	0	0	3	5,000	5,009	0	0	10,012
Other assets	7,948	5,265	482	141	146	404	182	14,569
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	0
Financial liabilities held for trading	141	160	852	902	2,847	2,175	120	7,197
Financial liabilities at fair value through profit or loss	0	47	24	0	0	0	0	71
Derivatives used for hedging purposes (liabilities)	271	133	416	804	2,295	993	0	4,913
Financial liabilities carried at amortized cost	234,018	36,093	57,196	26,718	66,575	39,896	1,700	462,195
Of which, debt securities (including bonds)	*8,615*	*17,333*	*34,492*	*8,278*	*25,491*	*24,443*	*0*	*118,653*
Of which, subordinated debt	*0*	*0*	*0*	*1,004*	*1,008*	*3,815*	*1,687*	*7,514*

Excluding insurance businesses

(a) Including accrued interest income and expense and securities given and received under repurchase agreements.

(b) Including undated debt securities, equities, non-performing loans, loans in litigation and impairment losses.

For marked -to-market financial instruments, also includes differences between fair value and redemption value.

2015	**Residual contractual maturities**							
(€ millions)	≤ 1 month (a)	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 year ≤ 5 years	> 5 years	No fixed maturity (b)	**Total**
Assets								
Financial assets held for trading	1,407	370	3,671	2,560	3,554	2,962	49	14,573
Financial assets at fair value through profit or loss	74	35	0	1	307	48	1,792	2,256
Derivatives used for hedging purposes (assets)	8	0	3,846	56	227	81	4	4,221
Available-for-sale financial assets	2,563	5,439	10,069	4,452	9,630	7,068	1,948	41,169
Loans and receivables (including finance leases)	75,760	15,539	27,256	31,999	71,353	151,246	1,694	374,847
Held-to-maturity investments	0	0	5,591	0	10,009	0	0	15,600
Other assets	6,930	4,735	1,672	26	101	4	1,462	14,930
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	0
Financial liabilities held for trading	1,304	97	2,191	644	1,844	2,048	129	8,257
Financial liabilities at fair value through profit or loss	50	121	73	0	0	0	0	243
Derivatives used for hedging purposes (liabilities)	19	28	2,538	292	2,359	488	5	5,729
Financial liabilities carried at amortized cost	206,389	30,529	62,895	29,330	63,913	37,428	3,112	433,595
Of which, debt securities (including bonds)	*6,487*	*15,898*	*29,227*	*13,791*	*22,409*	*23,959*	*3*	*111,774*
Of which, subordinated debt	*16*	*0*	*800*	*0*	*2,000*	*2,086*	*2,001*	*6,903*

Excluding insurance businesses

(a) Including accrued interest income and expense and securities given and received under repurchase agreements.

(b) Including undated debt securities, equities, non-performing loans, loans in litigation and impairment losses.

For marked -to-market financial instruments, also includes differences between fair value and redemption value.

Comments:

They show the carrying amounts in IFRS based on the prudential scope. The following maturity rules are used:

– the contractual principal repayment durations;

– equities have an unspecified duration similar to perpetual loans and securities;

– accrued interest income and expenses are broken down according to their actual contractual duration and are entered in the "< 1 month" column by default;

– provisions are broken down in line with the assets concerned;

– non-performing loans are broken down according to their contractual date when this has not lapsed and are entered under the "perpetual" column when it has lapsed, similar to loans in litigation;

– derivatives: their market value is entered under the corresponding flow on the contract end date;

When it is not possible provide an accurate maturity, the carrying amount is stated in the "perpetual" column.

III.3.3.4 – Exchange rate risk

The Group automatically centralizes the foreign currency positions of each group entity in the CIC holding structure and in BFCM.

on a daily basis for commercial transfers and cash flows, both income and expenses, denominated in foreign currencies.

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

With the exception of certain long-term foreign currency private equity transactions, none of the Group entities is exposed to foreign exchange risk at their level. The holding structure is responsible for clearing foreign currency positions daily and monthly via the market.

Specific own-level foreign currency position management is assigned only to CM-CIC Marchés' capital markets business.

The structural foreign currency positions resulting from foreign currency allowances to foreign branches are not hedged.

Foreign exchange gains or losses are recognized in the asset or liability translation accounts and do not pass through the income statement.

The profits or losses of the foreign branches are retained in the branches and thus add to the structural foreign currency position.

III.3.3.5 – Equity risk

Crédit Mutuel-CM11 Group has exposure to various types of equity risks.

Assets measured at fair value through profit or loss (note 5a of the notes to the consolidated financial statements)

Financial assets held in the trading portfolio amounted to €666 million as at December 31, 2016 compared with €986 million at December 31, 2015 and solely concerned CIC's capital markets business.

Financial assets accounted for using the fair value option through profit or loss totaled:

- €1,962 million under the fair value option, mainly in relation to the private equity business line.
- €11,855 million in equities held by the GACM insurance activity within the framework of unit-linked policies in the insurance business, to ensure consistency with the treatment of liabilities.

Available-for-sale financial assets

Financial assets classified as available-for-sale and various long-term investments amounted to €11,031 million and €3,437 million respectively (see Note 7 to the consolidated financial statements).

Long-term investments included:

- investments in non-consolidated companies totaling €2,595 million and in subsidiaries and associates totaling €527 million: the main holdings concern Desjardins (€64 million), Foncières des Régions (€499 million) and CRH (Caisse de Refinancement de l'Habitat) for €118 million;
- other long-term securities amounting to €316 million.

Impairment of equity investments:

The Group reviews its equity investments periodically 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.

Provisions net of reversals through profit or loss totaled €21 million in 2016, compared net reversals of €98 million in 2015.

At December 31, 2016, the acquisition value of impaired stocks was €3,478 million and the corresponding impairment provision was €1,610 million. Their market value was €1,868 million.

III.3.3.6 – Private equity

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

The portfolios comprise around 400 investment lines, relating mainly to small- and medium-sized enterprises.

Risks related to the private equity business

	12/31/2016	12/31/2015
Number of listed investment lines	35	34
Number of unlisted, active investment lines	326	354
Revalued proprietary portfolio (€m)	47	47
Managed funds (€m)	2,183	2,078
Number of managed funds	234	302

Source: risk management

III.3.4 –Capital markets risk

III.3.4.1 – General structure

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

These entities are organized around three business lines: Group treasury (transactions which are mainly recognized on BFCM's balance sheet), commercial, and fixed-income, equity and credit products (recognized on CIC's balance sheet). Management of these three business lines is "sound and prudent."

Group treasury

This business line is organized into three teams, one of which is dedicated to treasury management which centralizes all of the Crédit Mutuel-CM11 Group's refinancing activities. It seeks to diversify its investor base in Paris and London, and now also in the United States (US 144A format) and Asia (Samurai format), and its refinancing tools, including Crédit Mutuel-CIC Home Loan SFH. Another team is dedicated to collateral management and a third team focuses on settlement activities (the various risks of which are integrated into the business lines risks).

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

In addition to pure refinancing positions, this business line also has a portfolio of securities classified as available-for-sale, which are held mainly for use in the event of a liquidity crisis.

Commercial

On January 1, 2016, the CM-CIC Securities teams were integrated into CM-CIC Marchés to create CM-CIC Market Solutions, a comprehensive platform of market solutions for customers on all primary and secondary markets that also offers depository solutions (collective investment undertaking depository and securities account keeping). This notably enables the Group to better assist customers with their market financing.

The sales teams draw on a unified range of tools and products. They are organized into five activities. The global fixed-income/forex/commodities execution solutions team, which operates from Paris or within the regional banks, and is responsible for marketing OTC interest rate and forex hedging products. It aims to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments. The global execution solutions offering was enhanced with new equity/bond/derivative underlyings following the absorption of CM-CIC Securities. In parallel, the execution teams are assisted by the solution sales teams.

The investment solutions team markets investment products such as Libre Arbitre and Stork EMTN, resulting directly from the expertise of the investment business and aimed at the customers of the various Crédit Mutuel and CIC networks, institutional clients, business clients and individual customers. In the event of partial marketing of early exit by clients, SP may be required to temporarily carry securities which gives rise to capital consumption.

The three other commercial activities do not give rise to any market or credit risk. They include global research, primary market solutions and custody solutions.

Fixed-income/equities/credit investment

This business line is organized around desks specialized in investments in equities/hybrid instruments, credit spreads and fixed income. These activities mainly involve purchases and sales of financial securities acquired with the intention of holding them for a long period of time, as well as trading in related financial instruments. These activities are called upon to create value in a disciplined risk environment, to drive commercial development and to provide expertise or services to other Group entities.

III.3.4.2 – Internal control structures

In 2016, the internal control function continued to improve its organization and monitoring methodologies. It continued to update its procedures to take into account a unified system of limits incorporating the market activities of the branches and to present the CRD4 regulatory changes, in particular the stressed VaR and IRC (incremental risk charge) as well as risk measurement in VaR/stress tests, as part of the "market risk internal model" project, and regulatory risk measurement (CAD and European Capital Adequacy under Basel III standards).

All methodologies are formalized in a "body of rules." Regular updates throughout the year include the introduction of new products and the improvement of the monitoring of risk measurement, with a complete formal validation at least once a year.

Capital markets activities are organized as follows:

- they are under the responsibility of a member of Executive Management;
- the front-office units that execute transactions are segregated from those responsible for monitoring risks and results (control function) and from those in charge of transaction validation, settlement and recording (back-office function);
- internal control teams operate under the responsibility of the Group's risk division, which compiles management reports summarizing risk exposures and has the boards of directors of CIC and BFCM validate the level of capital allocated/consumed;
- the permanent controls system is based on first-level controls performed by three control teams:
  - the risks and results control team validates production, monitors results on a daily basis and ensures compliance with limits, and in 2016 took over the control of operational risks,
  - the post-market accounting and regulatory team is responsible for reconciling accounting and economic results, for providing oversight on regulatory matters,
  - the CM-CIC Marchés legal and tax team responsible for first-level legal and tax compliance;
- second-level controls are organized around:
  - capital markets business lines' permanent controls function (CPMM), which reports to the permanent control department, supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls on activities,
  - CIC's lending department, which monitors at-risk outstanding for each counterparty group,
  - CIC's legal and tax department, which works with the CM-CIC Marchés legal and tax team,
  - CIC's finance department, which supervises accounting procedures and templates and is responsible for accounting and regulatory controls;
- the Crédit Mutuel-CM11 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 executive officer of CIC and BFCM, the front office managers, the post-market team managers, and the manager of the risks department and the Group permanent control department. It approves the operational limits established as part of the general limits set by the boards of directors of CIC and BFCM, which are kept informed on a regular basis of the risks and results of these activities. The Market Risk Committee also approves the general principles of the "market risk internal model."

III.3.4.3 – Risk management*

The system used to set exposure limits for market risk is based on:

- An overall limit for regulatory capital (CAD/European capital adequacy), based on a standard internal measurement close to the regulatory value, broken down by desk, and by VaR;
- internal rules and scenarios (CAD risks, historical VaR and stress tests), which convert exposures into potential losses.

The limits system covers various types of market risk (interest-rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk for each activity.

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 decision-makers with an accessible overview of capital markets exposures.

The capital allocated in 2016 for the fixed-income, equity, credit and commercial business lines are stable in relation to 2015. At the end of 2016, the limits on these activities were reconfirmed for 2017. The calculation of a capital allocation for the credit valuation adjustment (CVA) charge is part of the risk monitoring procedure.

The Crédit Mutuel-CM11 value at risk was €5.2 million at year-end 2016. A general stress test policy and a stress test mechanism was introduced as part of risk management, with an escalation procedure in the event that limits are exceeded.

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

CM-CIC Marchés' overnight treasury position must not exceed a limit which has been confirmed at €7 billion for 2017, with an intermediate warning limit, both of which have been set by the department and approved by the boards of directors of CIC and BFCM. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal CM-CIC Marchés trading desk risks are as follows:

1 – Refinancing

BFCM's market risks mainly relate to the HQLA portfolio. Such risks are calculated based on the CAD and European Capital Adequacy requirement. In 2016, the consumption of capital in CNC fell from €121.7 million to €108.5 million with a peak of €133.4 million in April. The variations stem from a sharp fall in overall interest rate risk (use of derivatives opposite short-term buffer securities), which was slightly offset by an increase in European Capital adequacy.

2 – Hybrid instruments

The consumption of capital was €72.9 million on average in 2016 and ended the year at €64.6 million. The stock of convertible bonds reached €1.9 billion at the end of 2016 (€2 billion in 2015).

3 – Credit

These positions correspond to securities/CDS (credit default swaps) arbitrage or to ABS (asset backed securities).

For the corporate and financial institution loan portfolio, the consumption of capital averaged €54 million at the start of the year and at the end of 2016 was €45.1 million. This decrease was due to the maturing of CDS and iTraxx tranches. Concerning the ABS portfolio, consumption of risk capital was about €43 million (€35.7 million at year end), due to prudent risk management in peripheral countries and scaled-back positions in these countries.

4 – M&A and other activities

The consumption of capital averaged €43.9 million in 2016, reaching a high of €58.2 million in September. This rise followed the change in outstandings and the removal of corporate actions from M&A. Outstandings in respect of this activity therefore totaled €230 million in December 2016 (with a maximum of €509 million in September), compared with €391 million at year-end 2015.

5 – Fixed income

These positions mostly concern directional investments and yield-curve arbitrage, typically with underlying government securities, mostly European. Positions on peripheral countries are very limited. With respect to Italy, outstandings stood at around €520 million at year-end and have remained low since the redemption of €1.7 billion in September 2014. Total government bond investments stood at €2.8 billion at year-end 2015 (versus €2.7 billion at year-end 2016), €1.8 billion of which in respect of France. An HQLA portfolio, held to manage the buffer and mainly invested in sovereign debt, is held in BFCM's accounts.

III.3.4.4 – Risks linked to model

CM-CIC Marché's Risks and Results Control (RRC) team is in charge of developing the specific models used for valuing its positions. In 2016, there were four such models. These models are governed by a general policy validated annually by the Market Risks Committee. It provides for development and documentation by the RRC team, monitoring of their performance, also prepared by the RRC team and reviewed by the Permanent Control department and Group Risks division for presentation to the Markets Risks Committee. These models are also included in the audit program undertaken by the Group's Periodic Controls team.

III.3.4.5 – Credit derivatives

These products are used by CM-CIC Marchés and are recognized in its trading portfolio.

CM-CIC Marchés monitors risk limits by issuer or counterparty for all types of products. Outstanding amounts are monitored on a daily basis and exposure limits are reviewed periodically by the Lending Committees and Capital Markets Risk Committees.

III.3.4.6 – Securitization

During 2016, Group securitization investments rose by €301 million (up 4.5%), and represented a carrying amount of €7 billion as of December 31, 2016.

Securitization portfolios are managed on a prudent basis and mainly comprise senior securities with high credit ratings. The increase in investments in 2016, consisting mainly of AAA securities, further improved the overall quality of the portfolios, as 78% of securities are rated AAA (versus 74% in 2015) and 13% between A- and AA+. The portfolios are diversified, both in terms of type of exposure (RMBS, CMBS, CLO, ABS, auto loans, consumer loan ABS, credit card ABS) and geographical exposure (US, Netherlands, UK, France, Italy, Germany).

Investments are undertaken within precise limits, which are validated by the Group lending department and reviewed at least once a year.

Market activity investments, which represent 90% of securitization investments, must also comply with a body of rules specific to CM-CIC Marchés, which strictly govern the portfolio investments and risks.

Regulatory requirements for securitizations have been regularly strengthened since the last financial crisis. Accordingly, specific procedures were implemented. They allow for the monitoring of end-tranches and the ongoing verification of information on the performance of underlying exposures.

Stress tests are also undertaken on the portfolios each month. An asset quality review (AQR) was carried out by the European Central Bank in 2014 and completed by stress tests in 2014 and again in 2016 with very satisfactory results.

Breakdown of securitization investments by portfolio (in millions of euros)	2016	2015
Banking portfolio	6,631	6,154
Trading portfolio	417	594
Total	**7,048**	**6,748**

Breakdown of Inv. Grade and Non-Inv. Grade (as %)	2016	2015
Investment Grade category (of which 78% AAA)	94%	92%
Non-Investment Grade category	6%	8%
Total	**100%**	**100%**

Geographic breakdown of investments	2016
USA	44.66%
Germany	12.96%
United Kingdom	7.68%
France	7.27%
Netherlands	7.23%
Italy	6.45%
Spain	2.45%
Portugal	0.78%
Norway	0.68%
Finland	0.55%
Irland	0.45%
Belgium	0.15%
Greece	0.14%
Australia	0.02%
Other countries	8.45%
TOTAL	100%

The Group has very little exposure to the most weakened EU countries (Ireland: 0.45%; Portugal: 0.78%; Greece: 0.14%). Moreover, there is stronger monitoring of non-investment grade investments and, in the case of Greece, provisions have been made.

The New York branch holds a residual portfolio of American non-investment grade RMBS dating from before 2008 in the amount of €367 million managed on a run-off basis. All expected losses on this portfolio are provisioned in full.

III.3.5 –European capital adequacy ratio*

Under Article 8 of Regulation (EU) 575/2013, the following subsidiaries are exempt from monitoring on an individual or sub-consolidated basis: BFCM, Crédit Mutuel-CIC Home Loan SFH and CIC Iberbanco. The other regulated entities are subject to monitoring on an individual or sub-consolidated basis.

The information on the Crédit Mutuel-CM11 Group's solvency ratio risks is presented in the chapter "Information on Pillar 3 of the Basel Accords."

III.3.6 –Operational risk*

In the context of the Basel II capital adequacy regulations, the Crédit Mutuel-CM11 Group has implemented a comprehensive operational risk management system under the responsibility of the management bodies, with a single set of risk standards and shared quantitative evaluation methods.

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 used to measure and monitor operational risk is based on a common platform applied throughout the Crédit Mutuel-CM11 Group using an approach for identifying and modeling risks so as to calculate the level of capital required to be held in respect of operational risk.

Since January 1, 2010, Crédit Mutuel-CM11 has been authorized to use its advanced measurement approach to calculate its capital adequacy requirements in respect of operational risk. This authorization has been extended to COFIDIS France since July 1, 2014. For TARGOBANK Germany, the Crédit Mutuel Group received notification from the ECB on December 19, 2016 authorizing it to extend the AMA scope subject to the implementation of the ECB's recommendations.

Since June 30, 2012, the Group has also had authorization to deduct expected losses from its capital adequacy requirement and to take into account insurance, for the consolidated group excluding the foreign subsidiaries, COFIDIS and Banque Casino.

III.3.6.1 – Main objectives

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

- to contribute to the Group's effective management by controlling risks and the associated costs;
- from a human perspective, to protect staff, develop responsibility, autonomy and control, and capitalize on expertise group-wide;
- from an economic standpoint, to protect margins by effectively managing risk across all activities, ensure returns on the investments made to achieve compliance with banking regulations, optimize capital allocated in respect of risk and adapt insurance policies to the risks identified;
- from a regulatory standpoint: respond effectively to the Basel II requirements and the requests of the supervisory authorities, draw on the internal control system (decree of November 3, 2014 on internal control), optimize emergency plans and business continuity plans for essential activities and adapt financial reporting (Pillar 3 of Basel II).

III.3.6.2 – Role and position 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 management procedure and verifies that it is consistent with the national risk management policy. It is coordinated by the regional operational risk manager.

III.3.6.3 – Measurement and control procedure

For modeling purposes, the Group relies mainly on the national database of internal losses, 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:

- preventive actions identified during the mapping process and implemented directly by operational or permanent control staff;
- safeguard initiatives which focus mainly on the widespread implementation of continuity plans for business lines, logistics and IT solutions for all essential activities in order to limit the severity of incidents in the event of a crisis.

A consistent crisis management process within the Group, in line with the market system for interbank operations, covers crisis communication and the three phases of emergency and business continuity plans: rescue, continuity and recovery plans.

III.3.6.4 – Reporting and general oversight

The Group monitors the application of the operational risk management policy and risk profile using key indicators, thresholds and warnings covering the assessment of potential risks, changes in loss experience and the effectiveness of risk-reduction and financing measures. Relevant senior executives and supervisory bodies are regularly provided with information on these issues, including the requirements of the decree of November 3, 2014.

III.3.6.5 – Documentation and procedures

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

- governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, 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 loss data: procedures laying down the rules for collecting information and controlling internal losses;
- measurement system: procedures concerning, in particular, probabilistic modeling and modeling based on the work of experts, the rules for gathering key risk indicators (KRI), the basis for the allocation of capital adequacy requirements and COREP reports.

III.3.6.6 – Emergency and Business Continuity Plans (EBCP)

Emergency and Business Continuity Plans are part of the back-up measures put in place by the Group to limit any losses resulting from operational risk.

"EBCP guidelines," which are the Crédit Mutuel-CM11 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 EBCP relate to a given banking function that is associated with one of the business lines identified in accordance with Basel II;
- cross-functional EBCP relate to activities that constitute business support services (logistics, HR and IT plans).

Plans can be split into three components:

- emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;
- business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures;
- back-on-track plan: this is prepared shortly after the business continuity plan kicks in.

III.3.6.7 – Crisis management and its organization

Crisis management procedures at Group level and at regional level cover the most efficient organization and communications systems for handling 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; 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;
- a crisis liaison team for each business line, responsible for coordinating operations on the ground together with the crisis unit, most notably the activation of the EBCP until the situation returns to normal.

III.3.6.8 – Insurance deducted from equity

Operational risk financing programs are reviewed as and when the results of the assessments of net risks are available, after the application of risk-mitigation techniques, and are based on the following principles:

- insuring severe or major risks that can be insured, and developing self-insurance for the Group for amounts lower than deductibles and for intra-group risks;
- insuring frequency risks when justified or self-insuring them through provisions in the operating account;

- severe non-insurable risks and the non-insured balance are covered by prudential equity reserves;
- major risks arising from interbank exchange and payment systems are covered by liquidity reserves set up and allocated on an individual system basis.

The Group is insured against damage to property and has overall insurance for banking risks, fraud, and professional third-party liability, which it intends to use in order to reduce consumption of regulatory equity for operational risks.

III.3.6.9 – Training

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

III.3.6.10 – Inventory of Crédit Mutuel-CM11 Group loss events

In 2016, the Crédit Mutuel-CM11 Group suffered total operational losses of €172.8 million, including €118.5 million of actual losses and €54.3 million of net provisions in respect of prior-year losses.

This total breaks down as follows:

- fraud: €80.8 million;
- legal risk: €78.7 million;
- human/procedural error: €12.4 million;
- natural disasters and system malfunctions: €10.6 million;
- industrial relations: -€9.7 million.

III.3.7 –Other risks

III.3.7.1 –Legal risks

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

III.3.7.2- Industrial and environmental risks

Industrial and environmental risks are included in operational risks and are analyzed from the perspective of system malfunctions and the occurrence of natural disasters (100-year events, floods, earthquakes, pollution, etc.), their impact on the business and means of prevention and protection to be put in place, notably crisis management and EBCP.

As regards the management of social and environmental risks, the measures taken are described in the social considerations section of the social and environmental risks.

III.4 – Crédit Mutuel-CM11 Group consolidated financial statements

IFRS

Balance Sheet - Assets

in millions of euros	31.12.2016	31.12.2015 restated accounts *	Notes
Cash and amounts due from central banks and post office banks	61,044	11,078	4a
Financial assets at fair value through profit or loss	27,862	27,120	5a, 5c
Derivatives used for hedging purposes	4,126	4,221	6a, 5c, 6c
Available-for-sale financial assets	107,089	110,296	7a, 5c
Loans and receivables due from credit institutions	37,694	70,250	4a
Loans and receivables due from customers	329,958	304,136	8a
Remeasurement adjustment on interest-rate risk hedged portfolios	604	791	6b
Held-to-maturity financial assets	11,657	13,095	9
Current tax assets	1,590	1,105	13a
Deferred tax assets	1,293	1,267	13b
Accrued income and other assets	15,120	15,329	14a
Non-current assets held for sale	0	116	3e
Investments in associates	1,973	2,427	15
Investment property	1,961	1,891	16
Property, plant and equipment	2,942	2,914	17a
Intangible assets	686	815	17b
Goodwill	4,157	4,001	18
Total assets	**609,756**	**570,853**	

Balance sheet - Liabilities

in millions of euros	31.12.2016	31.12.2015 restated accounts *	Notes
Financial liabilities at fair value through profit or loss	11,971	13,500	5b, 5c
Derivatives used for hedging purposes	4,913	5,729	6a,5c,6c
Due to credit institutions	49,209	43,990	4b
Due to customers	276,194	254,370	8b
Debt securities	112,458	105,396	19
Remeasurement adjustment on interest-rate risk hedged portfolios	-1,165	-1,530	6b
Current tax liabilities	764	620	13a
Deferred tax liabilities	1,268	1,100	13b
Accrued expenses and other liabilities	11,616	13,223	14b
Liabilities related to non-current assets held for sale	0	130	3e
Technical reserves of insurance companies	93,396	88,698	20
Provisions	2,835	2,405	21
Subordinated debt	6,710	6,088	22
Shareholder's equity	**39,587**	**37,133**	
. Shareholder's equity - Group share	**36,474**	**34,308**	
- Subscribed capital and issue premiums	5,941	5,820	23a
- Consolidated reserves	26,828	24,691	23a
- Unrealised or deferred gains and losses	1,296	1,543	23b
- Net income for the year	2,410	2,254	23a
. Shareholder's equity - Minority interests	**3,113**	**2,825**	
Total liabilities	**609,756**	**570,853**	

** Restated amounts compared to the financial statement established in 2015 due to a modification of accounting policy since 1st January 2016 for capitalisation reserve's calculation*

IFRS

Consolidated income statement

in millions of euros	31.12.2016	31.12.2015 restated accounts *	Notes IFRS
Interest income	15,053	15,804	25
Interest expense	-9,501	-10,243	25
Commission income	4,366	4,277	26
Commission expense	-1,110	-1,120	26
Net gain/loss on financial instruments at fair value through profit or loss	920	698	27
Net gain/loss on available for sale financial assets	689	427	28
Gains on other activites	15,069	15,150	29
Losses on other activites	-12,184	-12,149	29
Net banking income	**13,302**	**12,845**	
Operating expense	-7,646	-7,371	30a,30b
Depreciation	-557	-536	30c
Gross operating income	**5,100**	**4,938**	
Cost of risk	-826	-803	31
Operating income	**4,273**	**4,135**	
Share of earning in associates	-136	42	15
Net gain /loss on other assets	13	-16	32
Goodwill	-187	-90	33
Net income before tax	**3,963**	**4,072**	
Income tax	-1,383	-1,539	34
Gain / loss on discontinued operations, net of tax	44	-23	3e
Net income after tax	**2,624**	**2,510**	
Of which minority interests	214	256	
Net income less minority interests	**2,410**	**2,254**	

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

in millions of euros	31.12.2016	31.12.2015 restated accounts *	Notes IFRS
Net income	**2,624**	**2,510**	
Translation adjustments	-63	79	
Remeasurement of available-for-sale financial assets	-51	161	
Remeasurement of hedging derivative instruments	1	0	
Share of unrealized or deferred gains and losses of affiliates	1	-1	
Total recyclable gains and losses recognized directly in shareholders' equity	**-113**	**239**	
Remeasurement of non-current assets	0	0	
Actuarial gain or losses on post-employment defined benefits	-110	61	
Total non recyclable gains and losses recognized directly in shareholders' equity	**-110**	**61**	**23c,23d**
Net income and gains and losses recognized directly in shareholders' equity	**2,401**	**2,810**	
including group share	*2,163*	*2,559*	
including minority interests	*238*	*251*	

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

** Restated amounts compared to the financial statement established in 2015 due to a modification of accounting policy since 1st January 2016 for capitalisation reserve's calculation*

€ million	Capital stock	Issue premiums	Reserves (1)	Gains and losses recognized directly in equity				Net income attributable to the Group	Shareholders' equity attributable to	Minority interests	Total consolidated shareholders'
				Translation adjustments	Available-for-sale assets	Hedging derivative instruments	Actuarial gains and losses				
Shareholders' equity at December 31, 2014	**5,840**	**0**	**23,004**	**60**	**1,455**	**-23**	**-254**	**2,179**	**32,261**	**2,624**	**34,885**
Shareholders' equity at January 1, 2015	***5,840***	***0***	***23,004***	***60***	***1,455***	***-23***	***-254***	***2,179***	***32,261***	***2,624***	***34,885***
restatement of ACM's capitalisation reserve's calculation			***-358***						***-358***	***-37***	***-394***
Shareholders' equity at January 1, 2015 restated	**5,840**	**0**	**22,647**	**60**	**1,455**	**-23**	**-254**	**2,179**	**31,903**	**2,588**	**34,491**
Appropriation of earnings from previous year			2,179					-2,179	0		0
Capital increase	-20								-20		-20
Distribution of dividends			-107						-107	-85	-192
Change in investments in subsidiaries not resulting in loss of control									0	87	87
Sub-total: movements arising from shareholder relations	**-20**	**0**	**2,072**	**0**	**0**	**0**	**0**	**-2,179**	**-127**	**3**	**-124**
Consolidated net income for the year								2,254	2,254	256	2,510
Change in fair value of available-for-sale financial assets and derivative instruments					161	1			163	-11	151
Change in actuarial gains and losses							60		60	1	61
Translation adjustments				83					83	5	88
Sub-total	**0**	**0**	**0**	**83**	**161**	**1**	**60**	**2,254**	**2,560**	**251**	**2,811**
Impact of acquisitions and disposals on minority interests			0						0		0
Other movements			-28			0			-28	-17	-45
Shareholders' equity at December 31, 2015	**5,820**	**0**	**24,691**	**143**	**1,616**	**-22**	**-194**	**2,254**	**34,308**	**2,824**	**37,132**
Appropriation of earnings from previous year			2,254					-2,254	0		0
Capital increase	120								120		120
Distribution of dividends			-102						-102	-76	-178
Change in investments in subsidiaries not resulting in loss of control									0	15	15
Sub-total: movements arising from shareholder relations	**120**	**0**	**2,152**	**0**	**0**	**0**	**0**	**-2,254**	**19**	**-61**	**-43**
Consolidated net income for the year								2,410	2,410	214	2,624
Change in fair value of available-for-sale financial assets and derivative instruments					-83	1			-83	32	-51
Change in actuarial gains and losses							-106		-106	-4	-110
Translation adjustments				-59					-59	-4	-62
Sub-total	**0**	**0**	**0**	**-59**	**-83**	**1**	**-106**	**2,410**	**2,163**	**238**	**2,401**
Impact of acquisitions and disposals on minority interests									0	175	175
Other movements	0	0	-15	0	0	0	0	0	-16	-63	-79
Shareholders' equity at December 31, 2016	**5,941**	**0**	**26,828**	**84**	**1,532**	**-21**	**-300**	**2,410**	**36,474**	**3,113**	**39,587**

(1) Reserves as of December 31, 2016 include the legal reserve of €305 million, regulatory reserves for a total of €4,405 million and other reserves amounting to €22,118 million.

CONSOLIDATED STATEMENT OF CASH FLOWS

in € millions	2016	2015
Net income	2,624	2,514
Corporate income tax	1,383	1,507
Income before corporate income tax	**4,007**	**4,021**
+/- Net depreciation/amortization expense on property, equipment and intangible assets	575	549
- Impairment of goodwill and other non-current assets	189	133
+/- Net additions to/reversals from provisions and impairment losses	14	-60
+/- Share of net income/loss of associates	136	-42
+/- Net loss/gain from investing activities	-482	-28
+/- Income/expense from financing activities	0	0
+/- Other movements	4,632	4,753
= Total non-monetary items included in income before tax and other adjustments	**5,064**	**5,305**
+/- Cash flows relating to interbank transactions	-437	6,674
+/- Cash flows relating to customer transactions	2,536	2,912
+/- Cash flows relating to other transactions affecting financial assets and liabilities	12,360	-9,903
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	-1,266	-187
- Corporate income tax paid	-1,668	-1,277
= Net decrease/increase in assets and liabilities from operating activities	**11,525**	**-1,781**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**20,596**	**7,545**
+/- Cash flows relating to financial assets and investments in non-consolidated companies	490	-214
+/- Cash flows relating to investment property	-73	16
+/- Cash flows relating to property, equipment and intangible assets	-433	-524
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**-16**	**-723**
+/- Cash flows relating to transactions with shareholders	-58	-212
+/- Other cash flows relating to financing activities	-3,704	-1,042
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**-3,762**	**-1,254**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**100**	**425**
Net increase (decrease) in cash and cash equivalents	**16,917**	**5,994**
Net cash flows from (used in) operating activities	20,596	7,545
Net cash flows from (used in) investing activities	-16	-723
Net cash flows from (used in) financing activities	-3,762	-1,254
Impact of movements in exchange rates on cash and cash equivalents	100	425
Cash and cash equivalents at beginning of year	**38,712**	**32,718**
Cash accounts and accounts with central banks and post office banks	11,078	33,733
Demand loans and deposits - credit institutions	27,634	-1,014
Cash and cash equivalents at end of year	**55,630**	**38,712**
Cash accounts and accounts with central banks and post office banks	61,044	11,078
Demand loans and deposits - credit institutions	-5,415	27,634
CHANGE IN CASH AND CASH EQUIVALENTS	**16,917**	**5,994**

NOTES TO THE CREDIT MUTUEL-CM11 GROUP CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounting principles and methods

1.1 Accounting reference framework

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2016. These standards include IAS 1-41, IFRS 1-8 and 10-13, and any SIC and IFRIC interpretations adopted as of that date. These standards are available on the European Commission’s website at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm. Standards not adopted by the European Union have not been applied.

The financial statements are presented in accordance with the format recommended by Recommendation No. 2013-04 of the French accounting standards authority concerning IFRS financial statements. They are consistent with the international accounting standards as adopted by the European Union.

The information on risk management required by IFRS 7 is provided in a specific section of the management report entitled “CM11 Group's risk management.”

Standards and interpretations adopted since January 1, 2016

The amendments adopted by the European Union do not have a material impact on the financial statements. They relate mainly to:

- IAS 1 – Presentation of financial statements: the emphasis is on the relative importance, presented over two lines, in net income and gains and losses recognized directly in shareholders' equity, of the share of associates (distinction between the “recyclable” and “non-recyclable” shares);
- IFRS 2 – Share-based payment: the change concerns the concept of “vesting conditions,” which is now defined as a “performance condition” or as a “service condition”;
- IFRS 3 – Business combinations: the contingent consideration in a combination as a liability or equity instrument arises from application of IAS 32. Earn-outs that are not equity instruments must be measured at fair value at each reporting date, and changes in fair value must be recognized in profit or loss;
- IFRS 7 – Financial instruments: disclosures when a servicing contract represents a continuing involvement in a transferred asset;
- IFRS 8 – Operating segments: disclosures when segments are aggregated;
- IAS 24 – Related party disclosures: extension of the definition (to include management entities) and additional disclosures in the notes;
- IAS28/IFRS10/IFRS12: option that allows, under certain circumstances, interests in associates and joint ventures to be measured at fair value through profit or loss entity by entity.

IFRS 9 - Financial Instruments

IFRS 9 is to replace IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- classification and measurement of financial instruments (Phase 1),
- impairment of credit risks on financial assets (Phase 2), and
- hedge accounting, excluding macro-hedging (Phase 3).

Its application will become mandatory on January 1, 2018. Classification and measurement, as well as the new impairment model under IFRS 9, are applicable retrospectively by adjusting the opening balance sheet on the date of first-time adoption. There is no requirement to restate fiscal periods presented as comparative statements. The Group will therefore present its 2018 financial statements without a comparative statement for 2017 in the IFRS 9 format. An explanation of the portfolios' transition between the two standards and the impacts on shareholders' equity will be included in the notes.

In the second quarter of 2015, the Group launched an initiative that is currently in the project stage; it brings together the various departments concerned (finance, risk, IT, etc.) and is structured around the "national consolidation" steering committee coordinated by the Confédération's Financial Management Department. Several working groups have been established for the project, based on the different phases and instruments (credit, securities and derivatives), with the work on impairment models under the responsibility of the CNCM Risks Department. The necessary IT developments and modifications began in 2016 and will continue in 2017.

This initiative will cover all of the Group's relevant activities, including insurance. The amendment to IFRS 4, published in September 2016, allows first-time adoption of IFRS 9 to be deferred or adjusted for these entities. However, the deferral approach does not, at this stage, apply to institutions that provide banking and insurance services (*bancassureurs*). Given the timetable for implementation of the standard and although discussions on this issue continue at the international and European level, the Group's insurance entities will apply IFRS 9 as of January 1, 2018.

Information by phase is presented below.

 Phase 1 - Classification and measurement

According to IFRS 9, the classification and measurement of financial assets will depend on the business model and contractual characteristics of the instruments, which could result in a different classification and measurement for certain financial assets than under IAS 39.

Loans, receivables and debt securities acquired will be classified:

- at amortized cost, if the business model involves holding the instrument in order to collect contractual cash flows, and if the cash flows are solely payments of principal and interest (analysis performed using the SPPI test);

- at fair value through equity, if the business model is to hold the instrument in order to collect contractual cash flows and to sell the assets when opportunities arise, and if the cash flows are solely payments of principal and interest. If these instruments are sold, the unrealized gains or losses previously recognized in equity will be recognized in profit or loss, as is currently the case under IAS 39, if they are classified as available-for-sale (AFS) assets;

- at fair value through profit or loss, if they are not eligible for the two previous categories or if the Group decides to exercise its option to classify them as such, in order to reduce accounting mismatches.

Equity instruments acquired (mainly shares) will be classified:

- at fair value through profit or loss; or

- using the fair value through equity option. If these instruments are sold, the unrealized gains or losses previously recognized in equity will not be recycled to profit or loss, contrary to current practice if they are recognized in AFS assets. Only dividends will be recognized in profit or loss.

Note that:

- derivatives embedded in financial assets will no longer be able to be recognized separately from the host contract;

- the provisions of IAS 39 on the derecognition of financial assets and liabilities remain unchanged in IFRS 9;

- the same holds true for the provisions relating to financial liabilities, with the exception of the recognition of changes in fair value, resulting from the own credit risk of liabilities designated under the fair value through profit or loss option. They will have to be recognized as unrealized or deferred gains or losses in equity, and not in profit or loss. The Group is marginally affected by the own credit risk issue.

The operational work conducted within the Group throughout 2016 sought to:

- finalize the instrument mapping, both with respect to interest rates and the different contractual clauses;

- define and begin the SPPI tests for the rates identified as risky (averaged, decorrelated);

- launch the initiative on documentation for the various instruments, at the national and regional level, for both the characteristics of the instruments and their business models.

At this stage, it is primarily units of UCITS and real estate funds (OPCIs) and certain convertible or structured bonds that will be reclassified at fair value through profit or loss; the impact of these reclassifications will be moderate. Work is being finalized on certain credits and securitization tranches.

- Phase 2 – Impairment

The section of IFRS 9 relating to credit risk impairment responds to the criticisms raised concerning the incurred credit loss model under IAS 39, i.e. that it causes accounting for credit losses to be delayed and the amounts of the credit losses recognized to be too low.

It allows provisioning for incurred credit losses to be replaced by provisioning for expected credit losses. Impairment provisions will be recognized, as regards financial assets for which there are no objective indications of losses on an individual basis, based not only on past losses observed but also on reasonable and justifiable cash flow forecasts.

This more forward-looking approach to credit risk is already taken into account to a certain extent when collective provisions are currently recognized on portfolios of financial assets with similar characteristics, pursuant to IAS 39.

Accordingly, the new impairment model under IFRS 9 will apply to all debt instruments measured at amortized cost or at fair value through equity, which will be divided into three categories:

- Bucket 1: 12-month expected credit loss provisioning (resulting from default risks in the next 12 months) on initial recognition of the financial assets, and as long as no significant increase in credit risk has been observed since the initial recognition;

- Bucket 2: lifetime expected credit loss provisioning (resulting from default risks for the entire remaining life of the instrument) if a significant increase in credit risk has been observed since the initial recognition; and

- Bucket 3: a category consisting of impaired financial assets for which there is objective evidence of impairment as a result of an event that occurred after the loan was contracted. This category is equivalent to the scope of outstandings currently impaired individually under IAS 39.

Significant increase in credit risk will be assessed by:

- taking all reasonable and supportable information into account; and

- comparing the default risk on a financial instrument on the reporting date with the default risk on the initial recognition date.

At the Group level, this is reflected in the measure of risk at the borrower level, whereas the variation in risk is measured at the level of each contract.

The operational work conducted within the Group throughout 2016 focused primarily on defining the boundary between buckets 1 and 2:

- the Group will rely on models developed for prudential purposes and on the measurement of the 12-month default risk (represented by a default rate or score), as authorized under the standard;

- these quantitative data will be combined with qualitative criteria such as payments that are more than 30 days past due/late, the concept of restructured loans, etc.;

- less complex methods will be used for the entities or small portfolios, classified prudentially under the standardized approach and that do not have rating systems.

Discussions are underway on the methodology for taking forward-looking information into account within the parameters.

At this stage, the Group believes that the quantitative impacts cannot be reasonably measured, but that the level of impairment, under IFRS 9, of buckets 1 and 2 will be significantly higher than the collective provisions currently recorded under IAS 39.

- Phase 3 – Hedge accounting

IFRS 9 allows entities to choose, on first-time adoption, to apply the new hedge accounting provisions or to maintain the provisions of IAS 39.

Crédit Mutuel Group has decided to maintain the current provisions. Additional information will be included in the notes, however, on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

Furthermore, the provisions in IAS 39 for the fair value hedge of interest rate risk on a portfolio of financial assets or liabilities, as adopted in the European Union, will continue to apply.

IFRS 15 - Revenue from Contracts with Customers

This standard will replace several standards and interpretations on revenue recognition (including IAS 18 *Revenue* and IAS 11 *Construction Contracts*). It does not, however, affect revenue from leases, insurance policies or financial instruments.

Recognition of revenue from contracts should reflect the transfer of control of an asset (or service) to a customer, for the amount to which the seller expects to be entitled. To that end, the standard has developed a five-step model to determine when and for what amount the revenue should be recognized:

- identify the contract with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to the performance obligations in the contract, and
- recognize revenue when the entity satisfies a performance obligation.

Application of the standard is mandatory for annual reporting periods starting from January 1, 2018 onwards.

In 2016, the Group performed an analysis of the standard and an initial assessment of its potential impacts. This work was done by a dedicated Confédération Nationale du Crédit Mutuel working group, in which the different CM groups and, where applicable, certain subsidiaries participated.

The main business lines/products analyzed were the packaged banking offerings, asset management (performance fees), telephony, and the IT activities.

At this stage, the impacts are expected to be limited.

Standards and interpretations not yet adopted by the European Union

These are mainly:

- IFRS 16 - Leases, with an effective date set at January 1, 2019, subject to adoption by the European Union,
- amendments to IFRS 4 in relation to IFRS 9 (effective date set at January 1, 2018).

IFRS 16 – Leases

This standard will replace IAS 17 and the interpretations relating to lease recognition.

According to IFRS 16, the definition of leases involves, first, the identification of an asset and, second, the lessee’s control of the right to use this asset.

From the lessor’s standpoint, the expected impact should be limited, as the provisions adopted remain substantially unchanged from the current IAS 17.

The lessee will have to recognize the following for any operating lease:

- in fixed assets: an asset representing the right to use the leased asset,

- in liabilities, a liability representing the obligation to make lease payments for the term of the lease, and

- in the income statement, the expense related to the straight-line depreciation of the asset, separately from the interest expense calculated actuarially, on the financial liability.

As a reminder, according to IAS 17 currently in force, no amount is recorded on the balance sheet and the cost of leases is included in operating expenses.

The Group began the work of analyzing the impacts of this standard and in particular started to identify its leases, for both real estate and equipment (IT, vehicle fleet, etc.).

Change in accounting method for the treatment of the ACMs' capitalization reserve

The capitalization reserve is a reserve that is funded by capital gains on disposals of bonds and that is released only when capital losses are realized on the bonds.

Following the transposition of Solvency II into French law, Groupe des Assurances du Crédit Mutuel modeled the pay-outs from the capitalization reserve to policyholders. As this reserve ultimately accrues in large part to policyholders, the recognition of the share of liabilities related to deferred profit-sharing for the restatement of the capitalization reserve makes the Group's IFRS consolidated financial statements more relevant with IFRS 4.

In accordance with IAS 8, the intentional adoption of this new method for recognizing the future rights of holders of participating policies to the capitalization reserve represents a change in accounting method.

The negative impact on IFRS capital of €394 million at the beginning of 2015, and then of €398 million at end-2015, represents about 95% of the balance of the capitalization reserve for the portfolios representing participating policies.

The impact on 2015 IFRS income was -€4 million net of deferred tax.

Due to these changes, the Group prepared financial statements restated at December 31, 2015.

€ million	Déc. 31, 2015 published	restatement	Déc. 31, 2015 restated
Assets			
Deferred tax assets	1,058	209	1,267
Liabilities			
Technical reserves of insurance companies	88,090	608	88,698
Shareholder's equity	**37,531**	**-398**	**37,133**
Shareholder's equity - Group share	**34,670**	**-362**	**34,308**
Consolidated reserves	25,049	-358	24,691
Net income for the year	2,258	-4	2,254
Shareholder's equity - Minority interests	**2,861**	**-36**	**2,825**
Total liabilities	**570,644**	**209**	**570,853**
Consolidated income statement			
Losses on other activites	-12,177	28	-12,149
Income tax	-1,507	-32	-1,539
Net income after tax	**2,514**	**-4**	**2,510**
Net income less minority interests	**2,258**	**-4**	**2,254**

1.2 Scope and basis of consolidation

Consolidating entity

The Crédit Mutuel CM11 Group (Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou) is a mutual group and member of a central body, in accordance with Articles L.511-30 et seq of the French Monetary and Financial Code. Crédit Mutuel's local cooperative banks, fully owned by their shareholding members, are at the base of the Group, in line with an "inverted pyramid" capital control structure.

To effectively reflect the common interests of our members during consolidation, the consolidating entity is defined with a view to reflecting the shared links in terms of operations, financial solidarity and governance.

Within this framework, the consolidating entity at the head of the Group is made up of the companies placed under the same collective accreditation for banking activities, granted by the French Credit Institutions and Investment Firms Committee (CECEI).

In this way, the consolidating entity comprises:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), Fédération du Crédit Mutuel du Sud-Est (FCMSE), Fédération du Crédit Mutuel Ile-de-France (FCMIDF), Fédération du Crédit Mutuel Savoie-Mont Blanc (FCMSMB), Fédération du Crédit Mutuel Midi-Atlantique (FCMMA), Fédération du Crédit Mutuel Loire Atlantique Centre Ouest (FCMLACO), Fédération du Crédit Mutuel du Centre (FCMC), Fédération du Crédit Mutuel de Normandie (FCMN), Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV), Fédération du Crédit Mutuel Méditerranée (FCMM) and Fédération du Crédit Mutuel d'Anjou (FCMA). As the policy bodies for the Groups, they determine their main policy guidelines, decide on their strategies and organize the representation of the local cooperative banks.
- Caisse Fédérale de Crédit Mutuel (CF de CM), Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), Caisse Régionale du Crédit Mutuel d'Ile-de-France (CRCMIDF), Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc (CRCMSMB), Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA), Caisse Régionale du Crédit Mutuel Loire Atlantique Centre Ouest (CRCMLACO), Caisse Régionale du Crédit Mutuel du Centre (CRCMC), Caisse Régionale du Crédit Mutuel de Normandie (CRCMN), Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV), Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM) and Caisse Régionale du Crédit Mutuel d'Anjou (CRCMA). Serving the local cooperative banks, the Caisse Fédérale de Crédit Mutuel is responsible for the network's common services, ensures its coordination and manages the Group's logistics. It centralizes the funds held on deposit by the local cooperative banks, while at the same time refinancing them and allocating funds on their behalf as required by the regulations (mandatory reserves, allocated resources, deposits with the Caisse Centrale du Crédit Mutuel, etc.).
- The Crédit Mutuel local cooperative banks that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB, FCMMA, FCMLACO, FCMC, FCMN, FCMDV, FCMM and FCMA: these constitute the foundations of the Group's banking network.

Consolidation scope

The general principles for the inclusion of an entity in the consolidation scope are defined in IFRS 10, IFRS 11 and IAS28R.

The consolidation scope comprises:

- *Controlled entities*: control is considered to be exercised when the Group holds power over the entity, is exposed or is entitled to variable returns because of its links with the entity, and can exercise its power over the entity to influence its returns. Entities that are controlled by the Group are fully consolidated.

- *Entities under joint control*: joint control is exercised by virtue of a contractual agreement providing for joint control of an entity, which exists only if the decisions concerning the entity's key activities require unanimous agreement of the parties sharing the control. Two or more parties exercising joint control constitute a partnership, which is either a jointly controlled operation/asset or a jointly controlled entity:

- a jointly controlled operation/asset is a partnership where the parties that exercise joint control have rights to and obligations for the underlying assets and liabilities: the assets, liabilities, revenues and expenses are accounted for proportionally to the interest held in the entity;
- a jointly controlled entity is a partnership where the parties that exercise joint control have rights to the entity's net assets: jointly controlled entities are accounted for using the equity method.

All the entities under the joint control of the Group are jointly controlled entities within the meaning of IFRS 11.

- ***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.

Companies that are 20%-50% owned by the Group's private equity businesses and over which the Group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

- **Changes in the consolidation scope**

The changes in the consolidation scope for the year ended December 31, 2016 were as follows:

- ***Additions:*** CM-CIC Leasing Solutions SAS, Cofacrédit SA, Factofrance SAS, Heller Gmbh, NELB (North Europe Life Belgium), Quanta, Targo Commercial Finance AG, Targo Factoring Gmbh and Targo Leasing Gmbh.

- ***Merger/absorption:*** Atlantis Seguros with Amgen Seguros, Banco Cofidis SA with Cofidis SA, Banif Plus Bank with Cofidis SA, Cofidis SGPS with Banco Cofidis SA, CM-CIC Securities with CIC, Sudinnova with CM-CIC Innovation, Serenis Vie with ACM Vie SA and Targo Akademie Gmbh with Targo Deutschland Gmbh.

- ***Removals:*** Banque Pasche, Banque Transatlantique Singapore Private Ltd, Immobilière ACM, Immocity and SCI Eurosic Cotentin.

- ***Change in consolidation method:*** Targobank Spain (from the equity method to full consolidation).

- ***Change of name:*** Banco Banif Mais SA Slovakia became Cofidis SA Slovakia (branch of Cofidis SA), Banco Cofidis SA (Spółka Akcyjna) Oddział w Polsce became Cofidis SA Poland (branch of Cofidis SA), and RMA Watanya became Royale Marocaine d'Assurance.

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 control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating part.

- **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. It applies to all entities under joint control, qualified as jointly controlled entities or for all entities over which the Group exercises significant influence.

Closing date

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

Elimination of intercompany transactions

Intercompany transactions and the profits arising from transfers between Group entities that have a significant effect on the consolidated financial statements are eliminated.

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.

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.

- **Goodwill**

In accordance with IFRS 3R, when the Bank acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Change in value of goodwill".

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 no longer includes 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

Non-controlling interests correspond to interests that do not provide control as defined in IFRS 10, and include 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.

1.3 Accounting principles and methods

1.3.1 Loans & 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 for sale at the time of their acquisition or grant. 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).

The restructuring of a loan due to the borrower's financial problems requires amendment or novation of the contract. Following the definition of this concept by the European Banking Authority, it was incorporated in the Group’s information systems in order that the accounting and prudential definitions were harmonized. The relevant figures are shown in the management report.

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.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period. The renegotiation involves the amendment or derecognition of the former loan.

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.

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

- **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 each balance sheet date. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

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

Impairment charges and provisions are recorded in net additions to provisions for loan losses. Reversals of impairment charges and provisions are recorded in net 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.

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.

1.3.4 Acquired securities

The securities held are classified into the 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 and loans.

❑ **Financial assets and liabilities at fair value through profit or loss**

- *Classification*

Financial instruments at fair value through profit or loss comprise:

a) financial instruments held for trading purposes, consisting mainly of instruments that: They are mainly 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.

b) financial instruments designated at inception as at fair value through profit or loss in accordance with the option provided by IAS 39. 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 the embedded derivatives, providing the embedded derivative has a material impact on the value of the instrument;

   b. a significant reduction in accounting mismatches between certain assets and liabilities, which arise in particular when a hedging relationship (interest rate, credit) cannot be established;

   c. the management or monitoring of the performance of a group of financial assets and/or liabilities in accordance with a documented risk management or investment strategy on a fair value basis.

The Group used this option mainly in connection with insurance business units of account contracts in line with the treatment applied to 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*

Securities classified as "Assets at fair value through profit or loss" are recognized in the statement of financial position at fair value up to the date of their disposal. Changes in fair value and in interest received or accrued on fixed-income securities are taken to the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss." Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income. Fair value also incorporates an assessment of counterparty risk on these securities.

- *Fair value*

Fair value is the amount at which an asset may be sold or a liability transferred between knowledgeable, willing parties in an arm's length transaction. The fair value of an instrument upon initial recognition is generally its transaction price. This fair value needs to be determined upon subsequent measurements. The method used for this determination depends on whether the market on which the instrument is traded is considered active or not. If the instrument is traded on an active market, the best estimate possible of fair value is the quoted price.

The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price, and for an asset to be acquired or a 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 (from an exchange, broker, intermediary or pricing service) and represent actual and regularly occurring market transactions in very similar instruments carried out on an arm's length basis.

The data observable on a market are to be used provided that they reflect a transaction's reality in normal conditions at the date of valuation and that it is not necessary to make too large an adjustment to this value. In the other cases, the Group uses non-observable mark-to-model data.

Derivatives are remeasured using observable market data (for example, yield curves). The bid/ask concept must therefore be applied to these observable data.

When no observable data is available or when adjustments in market prices require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, including the adjustments linked to risks that would be integrated by the market. In particular, these valuation adjustments enable the integration of risks that are not captured by the model: liquidity risks associated with the instrument or parameter in question; specific risk premiums intended to compensate for additional costs that an active management strategy associated with the model would involve under certain market conditions.

As regards derivatives that constitute a receivable, their valuation also incorporates the risk of the counterparty defaulting. As regards derivatives that constitute a receivable, their valuation also incorporates the risk of the counterparty defaulting.

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.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

In any event, the adjustments applied by the Group are reasonable and appropriate and rely on judgments made.

- *Criteria for classification and rules of transfer*

Market conditions may cause the Crédit Mutuel Group to review its investment and management strategy of these securities. Thus, when it appears inappropriate to sell securities initially acquired for the purpose of selling them in the near term, these securities may be reclassified under the specific provisions provided for by the October 2008 amendment to IAS 39.

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

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

b- *"Loans and receivables"* in the event of a change in management's intention or ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category;

c- *"available for sale"* only in rare cases.

There have not been any new transfers since 2008.

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

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

  - *Impairment of available-for-sale debt instruments*

Impairment losses are calculated using fair value. They are recognized in "Net additions to/reversals from provisions for loan losses" and are reversible. These fixed-income instruments are impaired only if there is credit risk, as impairment in the event of a loss due only to an increase in interest rates is not allowed. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

  - *Impairment of available-for-sale equity instruments*

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

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

Impairment is recognized under "Net gain/(loss) on available-for-sale financial assets" and is irreversible so long as the instrument is carried in the statement of financial position. Any subsequent impairment is also recognized in the income statement. In the event of impairment, any unrealized or deferred losses are recognized in the income statement. In the event of a subsequent appreciation in value, this will be recognized in equity within "Unrealized or deferred gains and losses".

  - *Criteria for classification and rules of transfer*

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

- Into “Held-to-maturity financial assets” in the event of a change in the management intention, and provided that they fulfill the eligibility conditions of this category;

- Into “Loans and receivables” in the event of a change in the management intention, the ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category;

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

In the event of a transfer of instruments with a fixed maturity from “Available-for-sale financial assets” to the “Held-to-maturity financial assets” or “Loans and receivables” categories, the unrealized gains and losses previously deferred in equity are amortized over the remaining life of the asset.

- **Held-to-maturity financial assets**

  - *Classification*

Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments and a fixed maturity date, 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 losses*

Should a credit risk arise, impairment on held-to-maturity financial assets is calculated in the same way as for loans and receivables. They are tested for impairment on an individual basis at each balance sheet date.

  - *Criteria for classification and rules of transfer*

This category includes fixed or determinable income securities, with a fixed maturity date, and which the Crédit Mutuel Group has the intention and ability to hold until maturity.

Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39.

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

- **Fair value hierarchy of financial instruments**

There are three levels of fair value of financial instruments, as defined by IFRS 13:

- Level 1: prices quoted on active markets for identical assets or liabilities. For capital markets activities, this concerns debt securities that are quoted by at least three contributors and derivatives quoted on an organized market.
- 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 2 concerns, in particular, interest rate swaps whose fair value is generally calculated using yield curves based on the market interest rates observed at the accounting date;

- Level 3: data relating to the assets or liabilities that are not observable market data (non-observable data). This category notably includes investments in non-consolidated companies owned or not through venture capital entities, in market activities, debt securities listed by a sole contributor and derivatives mainly using non-observable parameters. The instrument is classified at the same level as the entry data of the lowest level which is material for the fair value overall. Given the diversity and volume of the instruments valued at level 3, the sensitivity of the fair value to changes in parameters would be immaterial.

❑ **Derivatives and hedge accounting**

▪ *Financial instruments at fair value through profit or loss - derivatives*

A derivative is a financial instrument:

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

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

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

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

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, corresponds to the definition of a derivative. In particular, it has the effect of inducing changes in some of the cash flows of the combined instrument in a way similar to that of 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:

- it corresponds to the definition of a derivative;
- 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;

▪ *Financial instruments at fair value through profit or loss - derivatives - structured products*

Structured products are products created to meet clients' exact needs. They comprise basic products - generally options. There are various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, lookback options, options on several assets and index swaps.

There are three main groups of methods for 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 balance sheet date. 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 and/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 used for each market parameter concerned.

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 recognized in the statement of financial position at their transaction price, which is deemed to be the best indication of fair value even though 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.

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

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

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

Interest rate risk is the only risk covered by a fair value hedging relationship.

Fair value hedging instruments

The portion corresponding to the rediscounting of a derivative financial instrument is recorded in the income statement under the line item "Interest income, interest expense and equivalent - Hedging derivative instruments", symmetrically to the interest income or expenses relating to the hedged item.

In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss, under the line item "Net gain (loss) on financial instruments at fair value through profit or loss" symmetrically to the remeasurement of the hedged item to reflect the hedged risk through profit or loss. This rule also applies if the hedged item is accounted for at amortized cost or if it is a financial asset classified as available for sale. If the hedging relationship is perfectly effective, the fair value change in the hedging instrument offsets the change in fair value of the hedged item.

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

If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued 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. This method is applied by the Group. This method is applied by the Group for the majority of interest-rate hedges put in place by the asset/liability management department.

For each portfolio of assets or liabilities, the bank checks, by pillar and at each reporting date, that there is no excess hedging.

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 interest-risk hedged investments”, the counterpart being an income statement line item.

Cash flow hedging instruments

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

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

If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. 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.

1.3.5 Debt securities

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

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

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

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

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.

1.3.7 Distinction between Debt and Shareholders’ equity

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

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

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 signature commitments;
- Litigation risk and guarantee commitments given;
- Tax risks;
- Risks related to home savings accounts and plans.

1.3.9 Amounts due to customers and credit institutions

Debt securities include fixed-or determinable income financial liabilities. They are recognized initially in the statement of financial position, and are subsequently valued on reporting dates at amortized cost using the effective interest rate 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 home 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).

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 on similar, non-regulated products. 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".

1.3.10 Cash and cash equivalents

Cash and cash equivalents comprise 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.

1.3.11 Employee benefits

Social obligations are subject, where relevant, to a provision reported under the line item "Provisions". A change in this item is recognized in the income statement under the "Payroll costs" heading, except for the portion resulting from actuarial variances, which is recognized as unrealized or deferred gains or losses in equity.

- **Defined benefit post-employment benefits**

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

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

- The discount rate, determined by reference to the long-term interest rates of high-quality corporate bonds, at year-end;
- The rate of wage increase, assessed according to the age group, the management/non-management category, and regional features;
- The rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;
- Rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations and dismissals over the total number of employees working in the company under permanent 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 Studie*s) TF 00-02 table.

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

Actuarial variances are recognized as unrealized or deferred gains or losses in equity. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

Supplementary benefits provided by pension funds

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

Other post-employment defined benefits

A provision is recognized for retirement bonuses 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 retirement bonuses of the Group's banks in France are covered up to at least 60% by an insurance contract taken out with ACM Vie, an insurance company of the Crédit Mutuel Group, which is fully consolidated.

- **Post-employment benefits covered by defined contribution plans**

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

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

- **Long-term benefits**

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

The Group's obligation in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial losses are taken to the income statement as and when they arise.

Obligations in respect of long service awards are sometimes covered by insurance policies. A provision is established only for the uncovered part of these obligations.

- **Employee supplementary retirement plans**

Employees of the Crédit Mutuel CM11 and CIC Groups benefit from, as a complement to the mandatory retirement plans, a supplementary retirement plan offered by ACM Vie SA.

Employees of the Crédit Mutuel CM11 Group benefit from two supplementary retirement plans, one with defined contributions and the other with defined benefits. The rights under the defined contributions plan are vested even if the employee leaves the company, unlike the rights under the defined benefits plan which, in accordance with the new regulation, only vest definitively when the employee leaves the company to retire.

In addition to the mandatory retirement plans, CIC Group's employees benefit from a supplementary defined contribution plan from ACM Vie SA.

- **Termination benefits**

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

- **Short-term benefits**

These are benefits which are expected to be paid within the 12 months following the end of the financial year, other than termination benefits, such as salaries and wages, social security contributions and a number of bonuses.

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

1.3.12 Insurance

The accounting policies and valuation methods applying to the assets and liabilities generated by the issuing of insurance contracts are established pursuant to IFRS 4. They also apply to reinsurance contracts issued or effected, and to financial contracts that have 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, recognized and consolidated according to French GAAP.

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.

1.3.13 Property and equipment and intangible assets

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

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

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

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. BFCM has adopted the components 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 "Depreciation, amortization and impairment of non-current assets" in the income statement.

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

The depreciation and amortization periods are:

Property and equipment:

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

Intangible assets

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

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

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. The impairment 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 non-current assets".

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

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in "Net gain/(loss) on disposals of other assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

The fair value of investment property is disclosed in the notes to the financial statements. It is based on a valuation of the buildings by reference to market prices, performed by independent experts - (Level 2).

1.3.14 Commissions

The Group recognizes in profit or loss commission income and expenses on services depending on the type of services to which they relate.

Commissions directly linked to setting up a loan are recognized over the term of the loan (cf. §1.3.1).

Commissions paid as consideration for an ongoing service are accounted for over the duration of the rendered service.

Commissions representing consideration for the execution of a material deed are taken to profit or loss in full when the deed is executed.

1.3.15 Corporate income tax

This item includes all current or deferred income taxes.

Current income tax is calculated based on applicable tax regulations.

- **Deferred tax**

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.

1.3.16 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 income” line and spread over the life of the corresponding loans, pursuant to IAS 20.

1.3.17 Financial guarantees (sureties, deposits and other guarantees) and financing commitments

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.

1.3.18 Foreign exchange transactions

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

- **Monetary financial assets and liabilities**

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

- **Non-monetary financial assets and liabilities**

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

1.3.19 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 "Net gain/(loss) on discontinued operations and assets held for sale".

1.3.20 Judgments made and estimates used in the preparation of the financial statements

The preparation of the financial statements may require the use of assumptions and estimates that have a material impact on income and expenses and of assets and liabilities in the statement of financial position and notes to the financial statements.

In that case, management uses its judgment and experience to apply readily available information at the time of preparation of the financial statements in order to arrive at the necessary estimates. 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";
- calculation of the fair value of financial instruments that are not listed on an active market and are classified in "Loans and receivables" or "Held-to-maturity financial assets" for which this information must be provided in the notes to the financial statements;
- impairment tests performed on intangible fixed assets;
- measurement of provisions, including retirement obligations and other employee benefits.

Notes to the consolidated financial statements

The notes to the financial statements are presented in millions of euros.

NOTE 2 - Breakdown of the income statement by activity and geographic region

The Group's activities are as follows:
• Retail banking brings together the CM11 bank network, CIC's regional banks, Targobank Germany, Cofidis, Banco Popular Espanol, Banque Marocaine du Commerce Exterieur, Banque de Tunisie and all specialist activities the products of which are sold by the network: equipment and real estate leasing, factoring, collective investment management, 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 items are subject to an analytical distribution. The breakdown of the statement of financial position items is done in the same way.

2a - Breakdown of the statement of financial position items by business line

Dec. 31, 2016	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Total
ASSETS							
Cash, central banks, post office banks	4,335	0	52,641	3,329	0	739	61,044
Financial assets at fair value through profit or loss	81	13,444	11,995	156	2,186	0	27,862
Hedging derivative instruments	1,175	0	1,798	6	0	1,147	4,126
Available-for-sale financial assets	1,135	73,154	29,212	2,320	12	1,256	107,089
Loans and receivables due from credit institutions	22,999	1,595	12,267	787	3	43	37,694
Loans and receivables due from customers	292,838	340	22,884	13,802	(0)	95	329,957
Held-to-maturity financial assets	11	11,645	1	0	0	0	11,657
Investments in associates	1,262	179	(0)	0	0	532	1,973
LIABILITIES							
Cash, central banks, post office banks	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	50	5,501	6,248	172	0	0	11,971
Hedging derivative instruments	510	0	4,210	157	0	36	4,913
Due to credit institutions	(0)	(0)	49,209	0	0	0	49,209
Due to customers	241,710	86	11,391	20,092	0	2,915	276,194
Debt securities	27,379	0	85,051	28	0	0	112,458

Dec. 31, 2015	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Total
ASSETS							
Cash, central banks, post office banks	3,587	0	3,334	2,173	0	1,985	11,078
Financial assets at fair value through profit or loss	110	11,421	13,355	146	2,087	0	27,120
Hedging derivative instruments	1,468	0	1,831	3	0	919	4,221
Available-for-sale financial assets	946	69,127	36,664	2,396	5	1,159	110,296
Loans and receivables due from credit institutions	24,855	1,046	8,074	899	2	35,373	70,250
Loans and receivables due from customers	270,100	363	21,579	11,992	0	101	304,136
Held-to-maturity financial assets	9	12,495	0	0	0	591	13,095
Investments in associates	1,437	147	0	0	0	843	2,427
LIABILITIES							
Cash, central banks, post office banks	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	80	6,130	7,145	144	0	0	13,500
Hedging derivative instruments	794	0	4,684	186	0	65	5,729
Due to credit institutions	0	0	43,991	0	0	0	43,990
Due to customers	221,833	78	10,713	18,601	0	3,145	254,370
Debt securities	30,197	0	75,186	14	0	0	105,396

2b - Breakdown of the income statement items by business line

Dec. 31, 2016	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Intra Group transactions	Total
Net banking income (expense)	9,682	1,492	807	512	195	1,339	-725	13,302
General operating expenses	-6,181	-498	-331	-367	-46	-1,505	725	-8,202
Gross operating income	3,501	994	476	145	149	-166	0	5,100
Net additions to/reversals from provisions for loan losses	-800		-19	-4		-4		-826
Net gain (loss) on disposal of other assets*	-64	45		7		-298		-310
Net income before tax	2,637	1,039	458	149	149	-468	0	3,964
Corporate income tax	-974	-306	-162	-32	-1	91		-1,383
Gains and losses net of tax on abandoned assets				-22		66		44
Net income (loss)	**1,664**	**733**	**296**	**95**	**149**	**-312**	**0**	**2,624**
Net income attributable to minority interests								214
Net income attributable to the Group								**2,410**

** Including net income of associates and impairment losses on goodwill*

Dec. 31, 2015	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Intra Group transactions	Total
Net banking income (expense)**	9,564	1,581	785	510	172	897	-664	12,845
General operating expenses	-5,989	-470	-287	-371	-41	-1,413	664	-7,907
Gross operating income	3,576	1,111	498	139	131	-516	0	4,938
Net additions to/reversals from provisions for loan losses	-786		-20	9	0	-6		-803
Net gain (loss) on disposal of other assets*	74	30	0	-4		-163		-64
Net income before tax	2,864	1,141	478	143	131	-685	0	4,072
Corporate income tax**	-986	-417	-187	-41	-5	98		-1,539
Gains and losses net of tax on abandoned assets				-23				-23
Net income (loss)	**1,877**	**724**	**291**	**79**	**126**	**-587**	**0**	**2,510**
Net income attributable to minority interests								256
Net income attributable to the Group								**2,254**

** Including net income of associates and impairment losses on goodwill*

*** An amount of € 20 million relating to a gain on disposal of AFS shares, together with the corresponding tax of € 8 million, has been reclassified at the level of net banking income and income tax as of December 31, 2015 from Retail Banking to the Holding business*

2c - Breakdown of the statement of financial position items by geographic region

	Dec. 31, 2016				Dec. 31, 2015			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
ASSETS								
Cash, central banks, post office banks	52,385	6,174	2,486	61,044	3,596	4,145	3,337	11,078
Financial assets at fair value through profit or loss	26,472	551	839	27,862	25,916	533	671	27,120
Hedging derivative instruments	4,114	7	6	4,126	4,215	4	2	4,221
Available-for-sale financial assets	98,771	4,924	3,393	107,089	103,289	4,594	2,414	110,296
Loans and receivables due from credit institutions	35,154	1,717	823	37,694	67,432	1,661	1,157	70,250
Loans and receivables due from customers**	287,875	34,413	7,670	329,958	271,494	26,785	5,857	304,136
Held-to-maturity financial assets	11,624	33	0	11,657	13,054	41	0	13,095
Investments in associates	878	449	646	1,973	1,169	646	612	2,427
LIABILITIES								
Cash, central banks, post office banks	0	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	11,521	235	215	11,971	12,997	386	116	13,500
Hedging derivative instruments	4,743	160	10	4,913	5,532	187	10	5,729
Due to credit institutions	36,608	5,322	7,279	49,209	30,217	8,129	5,644	43,990
Due to customers	236,582	38,265	1,347	276,194	222,612	30,895	862	254,370
Debt securities	103,609	3,272	5,576	112,458	97,423	1,887	6,086	105,396

** USA, Singapore, Tunisia and Morocco*

*** Outstanding loans and receivables relating to the Crédit Mutuel-CM11 Group's business in the United Kingdom amounted to € 1,680 million at December 31, 2016, representing 0.5% of the Group's total customer loans outstanding*

2d - Breakdown of the income statement items by geographic region

	Dec. 31, 2016				Dec. 31, 2015			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
Net banking income	10,688	2,402	212	13,302	10,420	2,216	209	12,845
General operating expenses	-6,484	-1,599	-119	-8,202	-6,328	-1,472	-107	-7,907
Gross operating income	4,204	803	93	5,100	4,092	744	103	4,938
Net additions to/reversals from provisions for loan losses	-493	-327	-7	-826	-598	-183	-22	-803
Net gain (loss) on disposal of other assets**	-300	-111	101	-310	-161	16	82	-64
Net income before tax	3,411	365	188	3,963	3,332	577	163	4,072
Net income	2,289	171	164	2,624	2,004	392	115	2,510
Net income attributable to the Group	2,082	174	154	**2,410**	1,820	325	109	2,254

** USA, Singapore, Tunisia and Morocco*

*** In 2016, 22% of net banking income (excluding the logistics and holding business line) came from foreign operations.*

*** Including net income of associates and impairment losses on goodwill.*

NOTE 3 - Consolidation scope

3a - Scope of consolidation

Pursuant to the opinion issued by the Banking Commission, the Group's parent company comprises the companies included in the scope of globalization. It is made up of the following entities:
- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE),
- Fédération du Crédit Mutuel du Sud-Est (FCMSE),
- Fédération du Crédit Mutuel d'Ile-de-France (FCMIDF),
- Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB),
- Fédération du Crédit Mutuel Midi-Atlantique (FCMMA),
- Fédération du Crédit Mutuel Loire-Atlantique Centre Ouest (FCMLACO),
- Fédération du Crédit Mutuel Centre (FCMC)
- Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV),
- Fédération du Crédit Mutuel Méditerranée (FCMM),
- la Fédération du Crédit Mutuel Normandie (FCMN),
- Fédération du Crédit Mutuel Anjou (FCMA)
- Caisse Fédérale de Crédit Mutuel (CF de CM),
- Caisse Régionale du Crédit Mutuel Sud-Est (CRCMSE),
- Caisse Régionale du Crédit Mutuel Ile-de-France (CRCMIDF),
- Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB),
- Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA),
- Caisse Régionale du Crédit Loire-Atlantique Centre Ouest (CRCMLACO),
- Caisse Régionale du Crédit Mutuel Centre (CRCMC),
- Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV),
- Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM),
- Caisse Régionale du Crédit Mutuel Normandie (CRCMN),
- Caisse Régionale du Crédit Mutuel Anjou (CRMA)
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Centre Est Europe,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Sud-Est,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Ile-de-France,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel de Savoie-Mont Blanc,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Midi-Atlantique,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Loire-Atlantique Centre Ouest,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Centre,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Dauphiné-Vivarais,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Méditerranée,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Normandie,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Anjou.

	Country	Dec. 31, 2016			Dec. 31, 2015		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
A. Banking network							
Banque Européenne du Crédit Mutuel (BECM)	France	100	98	FC	100	98	FC
BECM Francfort (a branch of BECM)	Germany	100	98	FC	100	98	FC
BECM Saint Martin (a branch of BECM)	Saint Martin	100	98	FC	100	98	FC
Caisse Agricole du Crédit Mutuel	France	100	100	FC	100	100	FC
CIC Est	France	100	93	FC	100	93	FC
CIC Iberbanco	France	100	98	FC	100	98	FC
CIC Lyonnaise de Banque (LB)	France	100	93	FC	100	93	FC
CIC Nord Ouest	France	100	93	FC	100	93	FC
CIC Ouest	France	100	93	FC	100	93	FC
CIC Sud Ouest	France	100	93	FC	100	93	FC
Crédit Industriel et Commercial (CIC)	France	95	93	FC	95	93	FC
CIC Londres (a branch of CIC)	United Kingdom	100	93	FC	100	93	FC
CIC New York (a branch of CIC)	United States of America	100	93	FC	100	93	FC
CIC Singapour (a branch of CIC)	Singapore	100	93	FC	100	93	FC
Targobank AG & Co. KGaA	Germany	100	98	FC	100	98	FC
Targobank Espagne	Spain	51	50	FC	50	49	EM
B. Banking network - subsidiaries							
Bancas	France	50	49	EM	50	49	EM
Banco Cofidis SA	Portugal			MER	100	54	FC
Banco Banif Mais SA Espagne (a branch of Banco Cofidis SA)	Spain			NC	100	54	FC
Banco Popular Español	Spain	4	4	EM	4	4	EM
Banif Plus Bank	Hungary			MER	100	54	FC
Banque de Tunisie	Tunisia	34	33	EM	34	33	EM
Banque du Groupe Casino	France	50	49	EM	50	49	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	98	FC	100	98	FC
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26	26	EM	26	26	EM
Caisse Centrale du Crédit Mutuel	France	53	53	EM	53	53	EM
Cartes et crédits à la consommation	France	100	98	FC	100	98	FC
CM-CIC Asset Management	France	90	91	FC	90	91	FC
CM-CIC Bail	France	100	94	FC	100	94	FC
CM-CIC Bail Espagne (a branch of CM-CIC Bail)	Spain	100	94	FC	100	94	FC
CM-CIC Epargne salariale	France	100	93	FC	100	93	FC
CM-CIC Factor	France	95	92	FC	95	92	FC
CM-CIC Gestion	France	100	91	FC	100	91	FC
CM-CIC Home Loan SFH	France	100	98	FC	100	98	FC
CM-CIC Lease	France	100	96	FC	100	96	FC
CM-CIC Leasing Benelux	Belgium	100	94	FC	100	94	FC
CM-CIC Leasing GmbH	Germany	100	94	FC	100	94	FC
CM-CIC Leasing Solutions SAS	France	100	98	FC			NC
Cofacredit	France	64	63	FC			NC
Cofidis Belgique	Belgium	100	54	FC	100	54	FC
Cofidis France	France	100	54	FC	100	54	FC
Cofidis Espagne (a branch of de Cofidis France)	Spain	100	54	FC	100	54	FC
Cofidis Hongrie (a branch of Cofidis France)	Hungary	100	54	FC	100	54	FC
Cofidis Portugal (a branch of Cofidis France)	Portugal	100	54	FC	100	54	FC
Cofidis SA Pologne (a branch of Cofidis France)	Poland	100	54	FC	100	54	FC
Cofidis SA Slovaquie (a branch of Cofidis France)	Slovakia	100	54	FC	100	54	FC
Cofidis Italie	Italy	100	54	FC	100	54	FC
Cofidis République Tchèque	Czech Republic	100	54	FC	100	54	FC
Cofidis Slovaquie	Slovakia	100	54	FC	100	54	FC
Creatis	France	100	54	FC	100	54	FC
Factofrance	France	100	98	FC			NC
FCT CM-CIC Home loans	France	100	98	FC	100	98	FC
Fivory	France	89	87	FC	99	98	FC
Monabanq	France	100	54	FC	100	54	FC
SCI La Tréflière	France	100	99	FC	100	99	FC
Targo Commercial Finance AG	Germany	100	98	FC			NC
Targo Factoring GmbH	Germany	100	98	FC			NC
Targo Finanzberatung GmbH	Germany	100	98	FC	100	98	FC
Targo Leasing GmbH	Germany	100	98	FC			NC
C. Corporate banking and capital market							
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	FC	98	98	FC
Cigogne Management	Luxembourg	100	95	FC	100	95	FC
CM-CIC Securities	France			MER	100	93	FC
Diversified Debt Securities SICAV - SIF	Luxembourg	100	93	FC	100	93	FC
Ventadour Investissement	France	100	98	FC	100	98	FC
D. Private banking							
Banque de Luxembourg	Luxembourg	100	93	FC	100	93	FC
Banque Pasche	Switzerland			NC	100	93	FC
Banque Transatlantique (BT)	France	100	93	FC	100	93	FC
Banque Transatlantique Belgium	Belgium	100	93	FC	100	93	FC
Banque Transatlantique Londres (a branch of BT)	United Kingdom	100	93	FC	100	93	FC
Banque Transatlantique Luxembourg	Luxembourg	100	93	FC	100	93	FC
Banque Transatlantique Singapore Private Ltd	Singapore			NC	100	93	FC
CIC Suisse	Switzerland	100	93	FC	100	93	FC
Dubly-Douilhet Gestion	France	100	93	FC	100	93	FC
Transatlantique Gestion	France	100	93	FC	100	93	FC

	Country	Dec. 31, 2016			Dec. 31, 2015		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
E. Private equity							
CM-CIC Capital et Participations	France	100	93	FC	100	93	FC
CM-CIC Conseil	France	100	93	FC	100	93	FC
CM-CIC Innovation	France	100	93	FC	100	93	FC
CM-CIC Investissement	France	100	93	FC	100	93	FC
CM-CIC Investissement SCR	France	100	93	FC	100	93	FC
CM-CIC Proximité	France	100	93	FC	100	93	FC
Sudinnova	France			MER	66	62	FC
F. IT & Logistics and holding company							
Actimut	France	100	100	FC	100	100	FC
Adepi	France	100	93	FC	100	93	FC
CIC Participations	France	100	93	FC	100	93	FC
CM Akquisitions	Germany	100	98	FC	100	98	FC
CM-CIC Services	France	100	100	FC	100	100	FC
CMCP - Crédit Mutuel Cartes de Paiement	France	59	61	FC	59	61	FC
Cofidis Participations	France	55	54	FC	55	54	FC
Cofidis SGPS SA	Portugal			MER	100	54	FC
Euro Automatic Cash	Spain	50	40	EM	50	40	EM
Euro-Information	France	80	79	FC	80	79	FC
Euro-Information Développement	France	100	79	FC	100	79	FC
EIP	France	100	100	FC	100	100	FC
EI Telecom	France	95	75	FC	95	75	FC
Euro Protection Surveillance	France	100	84	FC	100	84	FC
Fivory SAS	France	83	66	FC	98	77	FC
Gesteurop	France	100	93	FC	100	93	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	FC	100	98	FC
Heller GmbH	Germany	100	98	FC			NC
L'Est Républicain	France	92	90	FC	92	90	FC
SAP Alsace	France	99	97	FC	99	97	FC
Société Civile de Gestion des Parts dans l'Alsace (SCGPA)	France	100	99	FC	100	99	FC
Société d'Investissements Médias (SIM)	France	100	98	FC	100	98	FC
Société de Presse Investissement (SPI)	France	100	98	FC	100	98	FC
Targo Akademie GmbH	Germany			MER	100	98	FC
Targo Deutschland GmbH	Germany	100	98	FC	100	98	FC
Targo Dienstleistungs GmbH	Germany	100	98	FC	100	98	FC
Targo IT Consulting GmbH	Germany	100	98	FC	100	98	FC
Targo IT Consulting GmbH Singapour (a branch of Targo IT consulting GmbH)	Singapore	100	98	FC	100	98	FC
Targo Management AG	Germany	100	98	FC	100	98	FC
Targo Realty Services GmbH	Germany	100	98	FC	100	98	FC
G. Insurance companies							
ACM GIE	France	100	86	FC	100	86	FC
ACM IARD	France	96	83	FC	96	83	FC
ACM Nord IARD	France	49	42	EM	49	42	EM
ACM RE	Luxembourg	100	86	FC	100	86	FC
ACM Services	France	100	86	FC	100	86	FC
ACM Vie SA	France	100	86	FC	100	86	FC
ACM Vie, Société d'Assurance Mutuelle	France	100	100	FC	100	100	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	82	FC	95	82	FC
Agrupación pensiones, entidad gestora de fondos de pensiones,S.A. (formely Agrupació Bankpyme Pensiones)	Spain	100	82	FC	95	82	FC
Agrupació serveis administratius	Spain	100	82	FC	95	82	FC
AMDIF	Spain	100	82	FC	95	82	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	86	FC	100	86	FC
AMSYR	Spain	100	82	FC	95	82	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	69	FC	80	69	FC
Asistencia Avançada Barcelona	Spain	100	82	FC	95	82	FC
ASTREE Assurances	Tunisia	30	26	EM	30	26	EM
Atlantis Asesores SL	Spain	80	69	FC	80	69	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	52	FC	60	52	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	77	FC	88	77	FC
Atlantis, Compañía de Seguros y Reaseguros SA	Spain			MER	100	86	FC
GACM España	Spain	100	86	FC	100	86	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	88	86	FC	88	86	FC
ICM Life	Luxembourg	100	86	FC	100	86	FC
Immobilière ACM	France			NC	100	86	FC
Margem-Mediação Seguros, Lda	Portugal	100	54	FC	100	54	FC
MTRL	France	100	100	FC	100	100	FC
NELB (North Europe Life Belgium)	Belgium	49	42	EM			NC
Partners	Belgium	51	44	FC	100	86	FC
Procourtage	France	100	86	FC	100	86	FC
Royale Marocaine d'Assurance (formely RMA Watanya)	Morocco	22	19	EM	22	19	EM
Serenis Assurances	France	100	86	FC	100	86	FC
Serenis Vie	France			FU	100	86	FC
Voy Mediación	Spain	90	76	FC	90	76	FC
H. Other companies							
Affiches d'Alsace Lorraine	France	100	98	FC	100	98	FC
Alsacienne de Portage des DNA	France	100	98	FC	100	98	FC
CM-CIC Immobilier	France	100	98	FC	100	98	FC
Distripub	France	100	97	FC	100	97	FC
Documents AP	France	100	98	FC	100	98	FC
Est Bourgogne Médias	France	100	98	FC	100	98	FC
Foncière Massena	France	100	86	FC	100	86	FC
France Régie	France	100	98	FC	100	98	FC
GEIE Synergie	France	100	54	FC	100	54	FC
Groupe Dauphiné Media	France	100	98	FC	100	98	FC
Groupe Progrès	France	100	98	FC	100	98	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	98	FC	100	98	FC
Immocity	France			NC	100	98	FC
Jean Bozzi Communication	France	100	98	FC	100	98	FC
Journal de la Haute Marne	France	50	45	EM	50	45	EM
La Liberté de l'Est	France	97	88	FC	97	88	FC
La Tribune	France	100	98	FC	100	98	FC
Le Dauphiné Libéré	France	100	98	FC	100	98	FC
Le Républicain Lorrain	France	100	98	FC	100	98	FC
Les Dernières Nouvelles d'Alsace	France	100	98	FC	100	98	FC

	Country	Dec. 31, 2016			Dec. 31, 2015		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
Lumedia	Luxembourg	50	49	EM	50	49	EM
Mediaportage	France	100	97	FC	100	97	FC
Presse Diffusion	France	100	98	FC	100	98	FC
Publiprint Province n°1	France	100	98	FC	100	98	FC
Quanta	Germany	100	98	FC			NC
Républicain Lorrain Communication	France	100	98	FC	100	98	FC
Républicain Lorrain - TV news	France	100	98	FC	100	98	FC
SCI ACM	France	100	86	FC	100	86	FC
SCI Eurosic Cotentin	France			NC	50	43	EM
SCI Le Progrès Confluence	France	100	98	FC	100	98	FC
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	FC	100	98	FC

* Method:
FC = full consolidation
PC = proportional consolidation
EM = equity method
NC = not consolidated
MER = merged

3b - Information on geographic locations included in the consolidation scope

Article 7 of law No. 2013-672 of July 26, 2013 of the French Monetary and Financial Code, amending Article L. 511-45, requires that credit institutions publish information on their entities and activities in every state or territory. The country in which each entity is located is mentioned in the consolidation scope. The group has no sites meeting the criteria stipulated in the decree of October 6, 2009 in the non-cooperative states or territories included in the list established by the order of December 21, 2016.

In € millions exept Number of employees	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Number of employees	Government subsidies
Country							
Germany	1,281	367	-118	14	-77	7,167	0
Belgium	124	24	-3	1	-8	607	0
Spain	333	-167	-17	2	-18	2,502	0
United States	119	77	-28	6	-7	85	0
France	10,684	5,095	-1,188	3	-1,684	51,437	0
Hungary	30	7	0	1	-2	205	0
Iraly	38	3	0	0	-2	218	0
Luxembourg	282	123	-31	15	-23	810	0
Morocco	0	85	0	0	0	0	0
Monaco	2	0	0	0	0	9	0
Poland	1	0	0	0	0	4	0
Portugal	156	89	-32	7	-5	716	0
Czech Republic	7	-2	0	0	-1	160	0
United Kingdom *	45	37	-6	-2	-7	56	0
Saint Martin	3	1	0	0	0	8	0
Singapore	91	20	-3	0	-4	247	0
Slovakia	2	-2	0	0	0	11	0
Switzerland	105	39	-5	1	-10	313	0
Tunisia	0	16	0	0	0	0	0
Total	**13,303**	**5,812**	**-1,431**	**48**	**-1,848**	**64,555**	**0**

* Crédit Mutuel-CM11 Group's activities in the United Kingdom account for net banking income of €45 million and profit before tax of €37 million, or 0.3% and 0.6%, respectively, of the Group's total.
With regard to Brexit, the unexpected decision of British voters sparked a strong reaction in the financial markets. Against the backdrop of a major political, economic and migration crisis, a relatively strong upheaval could put additional strain on a fragile economic environment. Amid such uncertainty, it is difficult to determine the medium and long-term macroeconomic impacts of Brexit. Although the Group has a limited presence in Great Britain and the risk of contagion to its other activities is relatively moderate, it is difficult to fully estimate the future impacts of such a decision. The London branch is very closely monitoring those counterparties that may be the most affected by Brexit (primarily importing companies that may suffer from a devaluation of the pound).
The process remains uncertain at this time as official negotiations have not yet begun on the conditions of Great Britain's exit from the European Union (they are set to last for two years from the day Great Britain exercises its right to withdraw). Great Britain did in fact just invoke Article 50 of the Lisbon Treaty. Particular attention will therefore be paid to the operational impacts of Brexit but they must still be measured by the Group (in particular in light of future events).

3c - Fully-consolidated entities with significant minority interests

Dec. 31, 2016	Share of minority interests in the consolidated financial statements				Financial information related to fully-consolidated entities*			
	Percentage owned	Net income	Amount in shareholders' equity	Dividends paid to minority shareholders	Total assets	OCI reserves	Net banking income	Net income
Euro Information	21%	20	181	-1	1,250	89	1,023	91
Groupe des Assurances du Crédit Mutuel (GACM)	14%	105	1,140	-39	97,658	1,206	1,427	688
Targobank Espagne	50%	-72	165	0	2,511	0	62	-144
Cofidis Belgique	46%	3	323	0	835	-2	95	6
Cofidis France	46%	21	436	0	7,928	-4	545	54

* Amounts before elimination of accounts and intercompany transactions

Dec. 31, 2015	Share of minority interests in the consolidated financial statements				Financial information related to fully-consolidated entities*			
	Percentage owned	Net income	Amount in shareholders' equity	Dividends paid to minority shareholders	Total assets	OCI reserves	Net banking income	Net income
Euro Information	21%	17	161	-1	1,184	77	973	60
Groupe des Assurances du Crédit Mutuel (GACM)	14%	109	1,072	-38	105,953	1,189	1,566	730
Cofidis Belgique	46%	6	316	0	794	-1	95	13
Cofidis SGPS SA	46%	4	153	0	615	-6	32	9
Cofidis France	46%	12	319	0	6,861	-4	553	35

* Amounts before elimination of accounts and intercompany transactions

3d -Investments in non-consolidated structured entities

The group works with non-consolidated structured entities as part of its activities and to meet the needs of its clients.
The main categories of non-consolidated structured sponsored entities are as follows:
- ABCP securitization conduit:

The group owns a conduit, General Funding Ltd., tasked with using treasury bills to refinance clients' securitization transactions. The group serves as a sponsor for the conduit and provides it with guarantees for its treasury bill investments. One transaction was in progress on December 31, 2015.
- Asset financing:

The group grants loans to structured entities solely for the purpose of the latter holding assets for lease, and using the related lease payments to repay its borrowings. These entities are dissolved when the financing operation is completed. The group is generally the sole shareholder.
For these two categories, the maximum loss exposure on the structured entities corresponds to the book value of the asset financed by the structured entity.
- Undertakings for collective investment or funds:

The group operates as an asset manager and custodian. It proposes funds to clients in which it does not invest itself. It markets and manages these funds, which may be dedicated or public, for which it receives a fee.

For certain funds that offer guarantees to unitholders or shareholders, the group may act as counterparty for implemented swap transactions. In exceptional cases where the group acts as both manager and investor and is required to operate firstly on a proprietary basis, the entity concerned is included in the consolidation scope.

An interest in a non-consolidated structured entity, whether or not on a contractual basis, exposes the group to fluctuations in income associated with the entity's performance.

The group's risk is primarily an operational risk of negligence in the performance of its management or custodial mandate and, where relevant, includes risk exposure in the amount of the sums invested.

No financial resources were granted to the group's structured entities during the financial year.

Dec. 31, 2016	Securitization vehicles (SPV)	Asset management (UCITS/SCPI)*	Other structured entities **
Total assets	0	8,561	2,094
Carrying amount of financial assets	0	4,926	782

* The amounts indicated relate to UCITS in which the group owns at least a stake of 30% and for which it performs asset management, excluding units of account held by insured parties.

** Other structured entities correspond to asset financing entities.

3e - Non-current assets held for sale and discontinued operations

Pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, Banque Pasche's business is classified under the headings "Non-current assets held for sale", "Liabilities associated with non-current assets held for sale" and "Post-tax gain/(loss) on discontinued operations and assets held for sale".

Banque Pasche's contribution to the consolidated financial statements	Dec. 31, 2016	Dec. 31, 2015
Total assets	0	116
Net banking income	0	0
Shareholders' equity	0	78
Net loss attributable to owners of the company	41	-21

Net income of € 41 million as of December 31, 2016 includes the recycling of the Banque Pasche conversion reserve for € 62 million in the holding business, as well as the result of Banque Pasche up to the date of transfer

NOTE 4 - Cash and amounts due from central banks

4a - Loans and receivables due from credit institutions

	Dec. 31, 2016	Dec. 31, 2015
Cash and amounts due from central banks		
Due from central banks	59,873	9,907
including reserve requirements	2,317	1,988
Cash	1,172	1,171
TOTAL	**61,044**	**11,078**
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts(1)	18,897	21,907
Other current accounts	2,391	1,576
Loans	4,248	34,889
Other receivables	2,442	3,218
Securities not listed in an active market	486	935
Resale agreements	9,050	7,499
Individually impaired receivables	0	0
Accrued interest	180	224
Impairment provisions	0	0
TOTAL	**37,694**	**70,250**

(1) mainly outstanding CDC (Caisse des Dépôts et Consignations) repayments relating to LEP, LDD and Livret bleu passbook savings accounts.

4b - Amounts due to credit institutions

	Dec. 31, 2016	Dec. 31, 2015
Due to credit institutions		
Other current accounts	2,944	1,750
Borrowings	16,026	16,189
Other debt	4,315	2,112
Resale agreements	25,862	23,872
Accrued interest	62	67
TOTAL	**49,209**	**43,990**

NOTE 5 - Financial assets and liabilities

5a - Financial assets at fair value through profit or loss

	Dec. 31, 2016			Dec. 31, 2015		
	Held for trading	Fair value option	Total	Held for trading	Fair value option	Total
Securities	7,812	15,702	23,514	9,464	13,501	22,965
- Government securities	865	1	866	1,638	1	1,638
- Bonds and other fixed-income securities	6,280	1,885	8,165	6,840	1,936	8,776
. Quoted	*6,280*	*1,492*	*7,772*	*6,840*	*1,504*	*8,345*
. Not quoted	*0*	*393*	*393*	*0*	*432*	*432*
- Equities and other variable-income securities	666	13,817	14,483	986	11,564	12,550
. Quoted	*666*	*11,669*	*12,335*	*986*	*9,648*	*10,634*
. Not quoted	*0*	*2,148*	*2,148*	*0*	*1,916*	*1,916*
. Trading derivative instruments	4,294	0	4,294	3,985	0	3,985
. Other financial assets		54	54		170	170
including resale agreements (1)		*0*	*0*		*0*	*0*
TOTAL	**12,106**	**15,756**	**27,862**	**13,449**	**13,671**	**27,120**

5b - Financial liabilities at fair value through profit or loss

	Dec. 31, 2016	Dec. 31, 2015
Financial liabilities held for trading	6,403	7,130
Financial liabilities at fair value by option through profit or loss	5,568	6,369
TOTAL	**11,971**	**13,500**

Financial liabilities held for trading

	Dec. 31, 2016	Dec. 31, 2015
Short selling of securities	1,840	2,810
- Government securities	0	0
- Bonds and other fixed-income securities	864	1,577
- Equities and other variable-income securities	975	1,233
. Debt representing securities given through repurchase agreements		
. Trading derivative instruments	4,488	4,206
. Other financial liabilities held for trading	75	115
TOTAL	**6,403**	**7,130**

Financial liabilities at fair value by option through profit or loss

	Dec. 31, 2016			Dec. 31, 2015		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	0	0	0	109	109	0
. Interbank liabilities	5,497	5,497	0	6,260	6,260	0
. Due to customers	71	71	0	0	0	0
TOTAL	**5,568**	**5,568**	**0**	**6,369**	**6,369**	**0**

Own credit risk is deemed immaterial.

5c - Fair value hierarchy of financial instruments at fair value

Dec. 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	101,168	2,858	3,063	107,089
- Government and similar securities - AFS	15,754	61	0	15,815
- Bonds and other fixed-income securities - AFS	74,248	1,441	1,109	76,798
- Equities and other variable-income securities - AFS	9,836	940	256	11,031
- Investments in non-consolidated companies and other LT investments - AFS	1,330	410	1,172	2,911
- Investments in associates - AFS	1	6	527	534
Held for trading / Fair value option (FVO)	19,723	5,291	2,848	27,862
- Government and similar securities - Held for trading	750	115	0	865
- Government and similar securities - FVO	1	0	0	1
- Bonds and other fixed-income securities - Held for trading	5,231	779	270	6,280
- Bonds and other fixed-income securities - FVO	1,213	369	302	1,885
- Equities and other variable-income securities - Held for trading	666	0	0	666
- Equities and other variable-income securities - FVO	11,386	873	1,558	13,817
- Loans and receivables due from credit institutions - FVO	0	54	0	54
- Loans and receivables due from customers - FVO	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	476	3,101	718	4,294
Hedging derivative instruments	0	4,078	48	4,126
Total	**120,891**	**12,226**	**5,959**	**139,076**
	Niveau 1	Niveau 2	Niveau 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2,388	8,769	814	11,971
- Due to credit institutions - FVO	0	5,497	0	5,497
- Due to customers - FVO	0	71	0	71
- Debt securities - FVO	0	0	0	0
- Subordinated debt - FVO	0	0	0	0
- Derivative instruments and other financial liabilities - Held for trading	2,388	3,200	814	6,403
Hedging derivative instruments	0	4,898	14	4,913
Total	**2,388**	**13,667**	**828**	**16,883**

Dec. 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	103,288	3,097	3,911	110,296
- Government and similar securities - AFS	24,029	438	0	24,466
- Bonds and other fixed-income securities - AFS	69,116	2,391	1,953	73,460
- Equities and other variable-income securities - AFS	9,075	187	211	9,473
- Investments in non-consolidated companies and other LT investments - AFS	1,068	75	1,278	2,420
- Investments in associates - AFS	2	6	469	476
Held for trading / Fair value option (FVO)	17,854	5,889	3,377	27,120
- Government and similar securities - Held for trading	1,289	349	0	1,638
- Government and similar securities - FVO	1	0	0	1
- Bonds and other fixed-income securities - Held for trading	4,873	1,474	493	6,840
- Bonds and other fixed-income securities - FVO	1,276	341	318	1,936
- Equities and other variable-income securities - Held for trading	985	0	1	986
- Equities and other variable-income securities - FVO	9,412	535	1,618	11,564
- Loans and receivables due from credit institutions - FVO	0	170	0	170
- Loans and receivables due from customers - FVO	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	18	3,020	947	3,985
Hedging derivative instruments	0	4,175	46	4,221
Total	**121,142**	**13,161**	**7,334**	**141,637**
	Niveau 1	Niveau 2	Niveau 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2,888	9,753	860	13,500
- Due to credit institutions - FVO	0	6,260	0	6,260
- Due to customers - FVO	0	0	0	0
- Debt securities - FVO	0	109	0	109
- Subordinated debt - FVO	0	0	0	0
- Derivative instruments and other financial liabilities - Held for trading	2,888	3,383	860	7,130
Hedging derivative instruments	0	5,676	53	5,729
Total	**2,888**	**15,429**	**912**	**19,229**

There are three levels of fair value of financial instruments, as defined by IFRS 7:
- Level 1 instruments: measured using stock market prices. In the case of capital markets activities, these include debt securities with prices quoted by at least four contributors and derivative instruments quoted on a regulated market.
- Level 2 instruments: measured using valuation techniques based primarily on observable inputs. In the case of capital markets activities, these comprise debt securities with prices quoted by two to three contributors and derivative instruments traded over the counter, which are not included in Level 3.
- Level 3 instruments: measured using valuation techniques based primarily on unobservable inputs. These involve unquoted equities, and, in the case of capital markets activities, debt securities quoted by a single contributor and derivative instruments valued using primarily unobservable parameters.

Level 2 and 3 instruments held in the trading portfolio mainly comprise securities deemed to have poor liquidity and derivatives.
The uncertainties inherent in measuring all of these instruments result in measurement adjustments reflecting the risk premium taken into account by market operators when setting the price.
These measurement adjustments enable the inclusion, in particular, of risks that would not be built into the model, liquidity risks associated with the instrument or parameter in question, specific risk premiums intended to offset certain additional costs inherent in the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk associated with the fair value of over-the-counter derivatives. The methods used may change over time. The latter includes proprietary counterparty risk associated with the fair value of over-the-counter derivatives.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

Level 3 details	Opening	Purchases	Sales	Gains and losses recognized in profit	Other movements	Closing
- Equities and other variable-income securities - FVO	1,618	216	-320	139	-95	1,558

5d - Offsetting financial assets and financial liabilities

Dec. 31, 2016	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments received in guarantee	Associated amounts not offset: Cash collateral received	Net amount
Financial assets							
Derivatives	8,420	0	8,420	-2,329	0	-5,075	1,015
Resale agreements	15,371	0	15,371	0	-13,608	-80	1,684
Total	**23,791**	**0**	**23,791**	**-2,329**	**-13,608**	**-5,155**	**2,699**

Dec. 31, 2016	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments given in guarantee	Associated amounts not offset: Cash collateral paid	Net amount
Financial liabilities							
Derivatives	9,401	0	9,401	-2,334	-2	-4,779	2,286
Resale agreements	32,959	0	32,959	0	-32,366	-266	326
Total	**42,360**	**0**	**42,360**	**-2,334**	**-32,368**	**-5,045**	**2,612**

Dec. 31, 2015	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments received in guarantee	Associated amounts not offset: Cash collateral received	Net amount
Financial assets							
Derivatives	8,206	0	8,206	-2,067	0	-4,780	1,359
Resale agreements	14,541	0	14,541	0	-13,220	-65	1,256
Total	**22,747**	**0**	**22,747**	**-2,067**	**-13,220**	**-4,845**	**2,615**

Dec. 31, 2015	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments given in guarantee	Associated amounts not offset: Cash collateral paid	Net amount
Financial liabilities							
Derivatives	9,879	0	9,879	-2,088	0	-4,514	3,277
Resale agreements	32,563	0	32,563	0	-31,902	-94	567
Total	**42,442**	**0**	**42,442**	**-2,088**	**-31,902**	**-4,608**	**3,844**

This information, required pursuant to an amendment to IFRS 7 applicable since January 1, 2013, is intended to improve comparability with disclosures under generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IFRS.
Pursuant to IAS 32, the Group does not offset carrying amounts, hence the absence of any figures in the second column. The "Effect of offset framework agreements" column shows outstanding amounts on transactions under binding agreements that have not been offset in the financial statements.
The "Financial instruments received/given in guarantee" column comprises the market value of securities exchanged as collateral.
The "Cash collateral received/paid" column includes guarantee deposits received or given in respect of positive or negative market values of financial instruments. They are recognised as "Other assets or liabilities" in the statement of financial position.

NOTE 6 - Hedging

6a - Hedging derivative instruments

	Dec. 31, 2016		Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
. Fair value hedges (change in value recognized through profit or loss)	4,126	4,913	4,221	5,729
TOTAL	**4,126**	**4,913**	**4,221**	**5,729**

Fair value hedging is the hedging of exposure against a change in the fair value of a financial instrument attributable to a specific risk. The portion attributable to the hedged risk of changes in the fair value of the hedge and of the hedged items is recognized through profit or loss.

6b - Remeasurement adjustment on interest-risk hedged investments

	Fair value Dec. 31, 2015	Fair value Dec. 31, 2015	Change in fair value
Fair value of interest-risk by investment category			
. financial assets	604	791	-187
. financial liabilities	-1,165	-1,530	365

6c - Analysis of derivative instruments

	Dec. 31, 2016			Dec. 31, 2015		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
Swaps	81,130	2,735	2,729	144,288	2,876	2,949
Other forward contracts	111,153	5	1	15,177	6	2
Options and conditional transactions	20,561	71	198	20,074	125	272
Foreign exchange derivative instruments						
Swaps	95,821	73	69	93,553	60	61
Other forward contracts	7,140	622	576	117	337	289
Options and conditional transactions	24,989	200	191	23,372	177	165
Derivative instruments other than interest-rate and foreign exchange						
Swaps	12,733	76	129	13,872	126	187
Other forward contracts	1,157	14	63	1,876	0	26
Options and conditional transactions	11,784	499	531	8,705	278	255
Sub-total	**366,468**	**4,294**	**4,488**	**321,035**	**3,985**	**4,206**
Hedging derivative instruments						
Fair value hedges						
Swaps	106,439	4,126	4,913	112,001	4,218	5,729
Other forward contracts	15,782	0	0	0	0	0
Options and conditional transactions	2	(0)	0	3	3	0
Cash flow hedges						
Swaps	0	0	0	0	0	0
Other forward contracts	0	0	0	0	0	0
Sub-total	**122,223**	**4,126**	**4,913**	**112,004**	**4,221**	**5,729**
TOTAL	**488,691**	**8,420**	**9,401**	**433,039**	**8,206**	**9,934**

The CVA (credit valuation adjustment) and the DVA (debt valuation adjustment) entail limiting own credit risk and, at December 31, 2016, totaled -€41 million (-€42 million at December 31, 2015) and €3 million (same as at December 31, 2015), respectively. The FVA (funding valuation adjustment), which corresponds to the costs or benefits related to financing certain derivatives not hedged by a netting agreement, totaled -€14 million at December 31, 2016 (-€22 million at December 31, 2015).

The exposures required to calculate the CVA, DVA and FVA are determined using Monte Carlo simulations.

The interest rate distribution model used for mature economies is a two-factor linear Gaussian model. This model is used for economies where the market prices of option derivatives provide a sufficient level of information on the market. For secondary economies, the interest rate distribution model used is a one-factor Hull-White model. This model is used for economies where there is no information on the market. The foreign exchange model is a specific one-factor log-normal model. The credit model is an intensity model.

All OTC derivative transactions are taken into account for the CVA, while only collateralized deals are included for the DVA and only non-collateralized deals for the FVA; the collateral bears interest at a rate equivalent to that used to build the related discount curves.

For the CVAs/DVAs, the credit spread is a market spread (CDS) for counterparties whose CDS is listed and liquid; for other counterparties, the spread resulting from historical probabilities of default is recalibrated to market levels as required by prudential and accounting regulators.

The spread used to calculate the FVA is determined from prices of BFCM issues on the secondary market.

One scope (equities, fixed-income products and non-vanilla credit, etc.), whose weight ranges from 10% to 15%, is not considered in the calculation; an extrapolation factor calibrated every month is used to estimate an additional provision for these transactions

Note 7 - Available-for-sale financial assets

7a - Available-for-sale financial assets

	Dec. 31, 2016	Dec. 31, 2015
. Government securities	15,703	24,341
. Bonds and other fixed-income securities	76,677	73,333
- Listed	76,044	72,840
- Unlisted	633	493
. Equities and other variable-income securities	11,031	9,473
- Listed	10,780	9,286
- Unlisted	251	188
. Long-term investments	3,437	2,895
- Investments in non-consolidated companies	2,595	2,207
- Other long-term investments	316	213
- Investments in associates	527	475
- Securities lent	0	0
- Current account advances related to non-performing SCI	0	0
. Accrued interest	240	254
TOTAL	**107,089**	**110,296**
Including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity	*969*	*790*
Including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity	*1,084*	*1,285*
Including impairment of bonds and other fixed-income securities	*-38*	*-58*
Including impairment of equities and other variable-income securities and long-term investments	*-1,610*	*-1,704*

Visa Europe securities, recorded under fixed assets, were revalued via shareholders' equity for €245 million at 31 December 2015 under the terms of the agreement with VISA Inc. As the final closing took place on June 21, 2016, the shares were therefore sold and a gain on sale of € 308 million before tax was recognized in the accounts in 2016.

7b - List of main investments in non-consolidated companies

		% held	Shareholders' equity	Total assets	NBI or revenue	Net income
Crédit logement	Unlisted	< 10%	1,749	10,124	435	236
CRH (Caisse de refinancement de l'habitat)	Unlisted	< 40%	563	42,608	3	0
Foncière des Régions	Quoted	< 10%	7,728	18,813	810	654

The figures above (excluding the percentage of interest) relate to 2015.

7c - Exposure to sovereign risk

Countries benefiting from aid packages

*Net exposure**	Dec. 31, 2016		Dec. 31, 2015	
	Portugal	Ireland	Portugal	Ireland
Financial assets at fair value through profit or loss	31		42	
Available-for-sale financial assets	68	162	60	102
Held-to-maturity financial assets				
TOTAL	**99**	**162**	**102**	**102**

** Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.*

Residual contractual maturity	Portugal	Ireland	Portugal	Ireland
< 1 year	14	30		
1 to 3 years	50	90	62	
3 to 5 years		5	12	95
5 to 10 years	22	37	18	7
> 10 years	13		10	
Total	**99**	**162**	**102**	**102**

Other sovereign risk exposures in the banking portfolio

Net exposure	Dec. 31, 2016		Dec. 31, 2015	
	Spain	Italy	Spain	Italy
Financial assets at fair value through profit or loss	35	353	98	63
Available-for-sale financial assets	427	1,028	390	910
Held-to-maturity financial assets				
TOTAL	**462**	**1,381**	**488**	**973**

Capital markets activities are shown at market value and other activities at par value. Outstandings are shown net of credit default swaps.

Residual contractual maturity	Spain	Italy	Spain	Italy
< 1 year	419	810	333	338
1 to 3 years	8	384	106	373
3 to 5 years	6	49		203
5 to 10 years		129	32	58
> 10 years	29	9	17	1
Total	**462**	**1,381**	**488**	**973**

NOTE 8 - Customers

8a - Loans and receivables due from customers

	Dec. 31, 2016	Dec. 31, 2015
Performing loans	312,164	289,661
. Commercial loans	13,042	6,164
. Other customer loans	298,188	282,445
- Home loans	161,287	155,910
- Other loans and receivables, including repurchase agreements	136,901	126,535
. Accrued interest	594	627
. Securities not listed in an active market	340	426
Insurance and reinsurance receivables	264	220
Individually impaired receivables	13,006	12,631
Gross receivables	**325,434**	**302,512**
Individual impairment	-7,781	-7,723
Collective impairment	-479	-518
SUB-TOTAL I	**317,175**	**294,271**
Finance leases (net investment)	13,015	10,004
. Furniture and movable equipment	8,540	5,767
. Real estate	4,008	3,887
. Individually impaired receivables	467	350
Impairment provisions	-232	-139
SUB-TOTAL II	**12,783**	**9,864**
TOTAL	**329,958**	**304,136**
of which non-voting loan stock	*9*	*12*
of which subordinated notes	*15*	*19*

Finance leases with customers

	Dec. 31, 2015	Acquisition	Sale	Other	Dec. 31, 2016
Gross carrying amount	10,004	1,645	-1,231	2,597	13,015
Impairment of irrecoverable rent	-139	-39	37	-90	-232
Net carrying amount	9,864	1,606	-1,194	2,507	12,783

Maturity analysis of minimum future lease payments receivable under finance leases

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future lease payments receivable	3,226	6,073	2,257	11,556
Present value of future lease payments	3,084	5,878	2,190	11,153
Unearned finance income	**142**	**195**	**67**	**403**

8b - Amounts due to customers

	Dec. 31, 2016	Dec. 31, 2015
. Regulated savings accounts	113,483	102,269
- demand	77,183	69,125
- term	36,300	33,143
. Accrued interest	41	46
Sub-total	**113,523**	**102,314**
. Current accounts	106,948	93,131
. Term deposits and borrowings	53,514	55,572
. Resale agreements	1,575	2,539
. Accrued interest	548	735
. Insurance and reinsurance payables	86	78
Sub-total	**162,671**	**152,056**
TOTAL	**276,194**	**254,370**

NOTE 9 - Held-to-maturity financial assets

	Dec. 31, 2016	Dec. 31, 2015
Securities	11,667	13,104
- Government securities	0	0
- Bonds and other fixed-income securities	11,667	13,104
. Quoted	8,693	10,169
. Not quoted	2,975	2,935
. Accrued interest	1	3
GROSS TOTAL	**11,668**	**13,106**
of which impaired assets	*20*	*20*
Impairment provisions	-11	-11
NET TOTAL	**11,657**	**13,095**

NOTE 10 - Movements in impairment provisions

	Dec. 31, 201	Additions	Reversals	Other (1)	Dec. 31, 2016
Loans and receivables due from credit institutions	0	0	0		0
Loans and receivables due from customers	-8,380	-1,442	1,575	-244	-8,491
Available-for-sale securities	-1,762	-40	146	9	-1,648
Held-to-maturity securities	-11	0	0	0	-11
TOTAL	**-10,154**	**-1,483**	**1,722**	**-235**	**-10,150**

At December 31, 2016, provisions on loans and receivables due from customers totalled €8,491 million (€8,380 million at end-2015), of which €479 million in collective provisions. Individual provisions relate mainly to ordinary accounts in debit for €790million (€721million at end-2015) and to provisions on commercial receivables and other receivables (including home loans) for €7,004 million (€7,002 million at end- 2015).

(1) Other movements include the entry of factoring and leasing entities acquired in 2016 for € 202 million and € 57 million due to change of consolidation method for Targobank Spain (from equivalent method to full consolidation)

NOTE 11 - Reclassifications of financial instruments

Pursuant to the revised accounting regulations and in the rare situation of a market that was in total disarray, on July 1, 2008, CIC transferred €18.8 billion of assets from the trading portfolio into the available-for-sale portfolio (€16.1 billion) and into the loans and receivables portfolio (€2.7 billion), and €6.1 billion from the available-for-sale portfolio into the loans and receivables portfolio. No further transfers have been made since that date.

	Dec. 31, 2016		Dec. 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables portfolio	626	658	1,179	1,179
AFS portfolio	2,236	2,236	2,418	2,393

	Dec. 31, 2016	Dec. 31, 2015
Gains/(losses) that would have been recognized in the income statement at fair value if the assets had not been reclassified	92	-115
Unrealized gains/(losses) that would have been recognized in equity if the assets had not been reclassified	-146	64
Gains/(losses) recognized in income (net banking income and net additions to/reversals from provisions for loan losses) relating to reclassified assets	62	49

NOTE 12 - Exposures affected by the financial crisis

In accordance with the request by the banking supervisor and market regulator, significant exposures are presented below based on the recommendations of the FSB.
The trading and AFS 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	Carrying amount Dec. 31, 2016	Carrying amount Dec. 31, 2015
RMBS	2,797	3,198
CMBS	51	413
CLO	2,075	1,666
Other ABS	1,640	1,564
Sub-total	***6,564***	*6,840*
RMBS hedged by CDS	0	0
CLO hedged by CDS	5	38
Other ABS hedged by CDS	0	0
Liquidity facilities for RMBD programs	0	0
Liquidity facilities for ABCP programs	185	223
TOTAL	**6,754**	7,101

Unless otherwise stated, securities are not covered by CDS.

Exposures at 12/31/2016	RMBS	CMBS	CLO	Other ABS	Total
Trading	762		113	47	921
AFS	1,500	51	1,814	1,367	4,733
Loans	535		148	226	910
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**
France	130		58	413	600
Spain	72			116	188
United Kingdom	295		85	162	541
Europe excluding France, Spain and United Kingdom	449	51	436	950	1,887
USA	1,850		894	0	2,744
Rest of the world	1		602		603
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**
US Agencies	1,451		-	-	1,451
AAA	686		1,990	972	3,649
AA	157		48	425	630
A	62		22	13	96
BBB	31	51	4	230	316
BB	31				31
B or below	380			0	380
Not rated	-		11		11
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**
Originating 2005 or before	150	51	-	-	201
Originating 2006-2008	650	-	46	32	727
Originating 2009-2011	136	-	-	-	136
Originating 2012-2015	1,862	-	2,030	1,608	5,500
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**

Exposures at 12/31/2015	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,078	71	135	51	1,335
AFS	1,482	342	1267	1,337	4,427
Loans	638		264	175	1,078
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**
France	9	0	22	379	409
Spain	85	0	0	51	136
United Kingdom	374	19	50	188	632
Europe excluding France, Spain and United Kingdom	740	60	553	928	2,281
USA	1,983	333	770	17	3,103
Rest of the world	7	0	272	0	279
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**
US Agencies	1,514	0	0	0	1,514
AAA	800	360	1625	998	3,782
AA	266	0	0	327	593
A	92	0	16	161	269
BBB	40	53	4	60	157
BB	31	0	2	0	33
B or below	455	0	2	17	474
Not rated	0	0	18	0	18
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**
Originating 2005 or before	363	53	0	0	416
Originating 2006-2008	812	333	195	50	1,390
Originating 2009-2011	248	0	0	37	285
Originating 2012-2014	1775	26	1471	1,477	4,748
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**

NOTE 13 - Corporate income tax

13a - Current income tax

	Dec. 31, 2016	Dec. 31, 2015
Asset (through income statement)	1,590	1,105
Liability (through income statement)	764	620

13b - Deferred income tax

	Dec. 31, 2016	Dec. 31, 2015
Asset (through income statement)	1,115	1,087
Asset (through shareholders' equity)	178	180
Liability (through income statement)	598	519
Liability (through shareholders' equity)	670	580

Breakdown of deferred income tax by major categories

	Dec. 31, 2016		Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
. Temporary differences on:				
- Deferred gains (losses) on available-for-sale securities	178	670	180	580
- Impairment provisions	670		590	
- Unrealized finance lease reserve		250		223
- Remeasurement of financial instruments	520	436	668	576
- Accrued expenses and accrued income	223	107	204	91
- Tax losses	6		0	
- Insurance activities	19	199	236	205
- Other timing differences	45	-26	32	69
. Netting	-368	-368	-644	-644
Total deferred tax assets and liabilities	1,293	1,268	1,267	1,100

Deferred taxes are calculated using the liability method. For the French entities, the deferred tax rate is 34.43%

NOTE 14 - Accruals, other assets and other liabilities

14a - Accruals and other assets

	Dec. 31, 2016	Dec. 31, 2015
Accruals - assets		
Collection accounts	397	142
Currency adjustment accounts	967	624
Accrued income	531	445
Other accruals	2,081	3,892
Sub-total	**3,977**	**5,104**
Other assets		
Securities settlement accounts	122	92
Guarantee deposits paid	6,112	5,599
Miscellaneous receivables	4,414	4,085
Inventories	26	27
Other	37	23
Sub-total	**10,712**	**9,826**
Other insurance assets		
Technical reserves - reinsurers' share	320	297
Other expenses	112	103
Sub-total	**432**	**399**
TOTAL	**15,120**	**15,329**

14b - Accruals and other liabilities

	Dec. 31, 2016	Dec. 31, 2015
Accruals - liabilities		
Accounts unavailable due to collection procedures	266	232
Currency adjustment accounts	15	40
Accrued expenses	1,302	1,193
Deferred income	1,412	1,409
Other accruals	2,179	5,527
Sub-total	**5,173**	**8,400**
Other liabilities		
Securities settlement accounts	270	242
Outstanding amounts payable on securities	231	51
Other payables	5,742	4,336
Sub-total	**6,242**	**4,629**
Other insurance liabilities		
Deposits and guarantees received	201	194
Sub-total	**201**	**194**
TOTAL	**11,616**	**13,223**

NOTE 15 - Investments in associates

Equity value and share of net income (loss)

		Dec. 31, 2016					
		Country	Percent interest	Investment value	Share of net income (loss)	Dividends received	Investments in joint ventures
Entities over which significant influence is exercised							
ACM Nord	Unlisted	France	49.00%	39	7	9	NC*
ASTREE Assurance	Listed	Tunisia	30.00%	18	2	1	18
Banco Popular Español	Listed	Spain	3.95%	245	-262	4	152
Banque de Tunisie	Listed	Tunisia	34.00%	173	14	6	198
Banque Marocaine du Commerce Extérieur	Listed	Morocco	26.21%	1,039	52	19	984
CCCM	Unlisted	France	52.84%	248	2	1	NC*
Euro Automatic Cash	Unlisted	Spain	50.00%	39	13	14	NC*
NELB (North Europe Life Belgium)	Unlisted	Belgium	49.00%	21	3	0	NC*
Royale Marocaine d'Assurance (formely RMA Watanya)	Unlisted	Morocco	22.02%	102	33	10	NC*
Other	Unlisted			2	1	0	NC*
TOTAL (1)				**1,925**	**-134**	**63**	
Joint ventures							
Bancas	Unlisted	France	50.00%	1	0	0	NC*
Banque Casino	Unlisted	France	50.00%	47	-2	0	NC*
TOTAL (2)				**48**	**-2**	**0**	
TOTAL (1) + (2)				**1,973**	**-136**	**63**	

** NC: not communicated*

		Country	Percent interest	Investment value	Share of net income (loss)	Dividends received	Investments in joint ventures
				Dec. 31, 2015			
Entities over which significant influence is exercised							
ACM Nord	Unlisted	France	49.00%	41	10	7	NC*
ASTREE Assurance	Listed	Tunisia	30.00%	19	2	1	22
Banco Popular Español	Listed	Spain	3.94%	426	-45	6	260
Banque de Tunisie	Listed	Tunisia	34.00%	180	15	7	208
Banque Marocaine du Commerce Extérieur	Listed	Morocco	26.21%	998	51	17	934
CCCM	Unlisted	France	52.84%	239	4	1	NC*
Euro Automatic Cash	Unlisted	Spain	50.00%	39	7	5	NC*
RMA Watanya	Unlisted	Morocco	22.02%	80	14	14	NC*
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA (formely Royal Automobile Club de Catalogne) **	Unlisted	Spain	100.00%	0	3	0	NC*
Other	Unlisted			10	1	0	NC*
TOTAL (1)				**2,032**	**61**	**57**	
Joint ventures							
Bancas	Unlisted	France	50.00%	1	0	0	NC*
Banque Casino	Unlisted	France	50.00%	46	-25	0	NC*
Targobank Spain	Unlisted	Spain	50.00%	348	7	0	NC*
TOTAL (2)				**395**	**-19**	**0**	
TOTAL (1) + (2)				**2,427**	**42**	**57**	

** NC: not communicated*

*** The AMGEN and Targobank Spain entities are consolidated under the full consolidation method at 31 December 2016.*

Banco Popular Español (BPE) :

BPE is consolidated as an associate in light of the significant influence relationship between it and the Group: Crédit Mutuel - CIC is represented on the BPE board of directors, the two groups have a banking joint venture and there are numerous cross-commercial agreements on the Franco-Spanish retail and corporate markets.

The investment's carrying amount reflects the Group's share of BPE's net assets (IFRS) up to its recoverable value, based on its value in use. This is calculated using projected future discounted cash flows distributable to shareholders, taking into account regulatory requirements relating to credit institutions' equity levels. The cash flow discount rate was determined using the long-term interest rate on Spanish government debt, plus a BPE risk premium taking into account the sensitivity of its share price to market risk, calculated by reference to the Ibex 35 index on the Madrid Stock Exchange.

The investment in BPE underwent an impairment test on December 31, 2016, which resulted in the recognition of a €128.4 million impairment provision in respect of the year.

Financial data published by the major associates

	Total assets	NBI or revenue	Operating income before	Net income	OCI reserves	Shareholders' equity
			Dec. 31, 2016			
Entities over which significant influence is exercised						
ACM Nord	198	154	25	17	2	74
ASTREE Insurance(2)	424	131	20	14	50	160
Banco Popular Español	147,926	2,826	798	-3,485	-289	11,088
Banque de Tunisie(1)(2)	4,366	213	104	90	NC*	673
Banque Marocaine du Commerce Extérieur(1)(3)	279,422	11,817	4,884	2,655	73	22,110
CCCM	4,295	17	12	8	117	608
RMA Watanya(1)(3)	314,114	5,047	3,622	466	3,424	4,627
Joint ventures						
Banque Casino	866	106	50	5	0	81

*(1) 2015 amounts (2) in millions of Tunisian Dinars (3) in millions of Moroccan Dirhams *NC: not communicated*

	Total assets	NBI or revenue	Operating income before	Net income	OCI reserves	Shareholders' equity
			Dec. 31, 2015			
Entities over which significant influence is exercised						
ACM Nord	190	153	30	19	2	76
ASTREE Insurance(1)(2)	395	124	15	13	49	153
Banco Popular Español	158,650	3,431	1,689	105	-222	12,515
Banque de Tunisie(1)(2)	4,030	196	104	88	NC*	628
Banque Marocaine du Commerce Extérieur(1)(3)	247,243	11,497	5,004	2,692	141	20,803
CCCM	4,667	22	16	10	97	581
RMA Watanya(1)(3)	281,907	4,840	3,276	385	3,248	5,005
Joint ventures						
Banque Casino	829	93	39	-1	0	71
Targobank Spain	2,526	94	31	14	0	329

*(1) 2014 amounts (2) in millions of Tunisian Dinars (3) in millions of Moroccan Dirhams *NC: not communicated*

NOTE 16 - Investment property

	Dec. 31, 2015	Additions	Disposals	Other movements	Dec. 31, 2016
Historical cost	2,228	103	-4	-3	2,324
Accumulated depreciation and impairment provisions	-338	-26	4	-4	-363
Net amount	**1,891**	**77**	**0**	**-7**	**1,961**

The fair value of investment property recognized at amortized costs was €2,485 million at December 31, 2015.

NOTE 17 - Property, equipment and intangible assets

17a - Property and equipment

	Dec. 31, 2015	Additions	Disposals	Other movements	Dec. 31, 2016
Historical cost					
Land used in operations	519	3	-9	3	516
Buildings used in operations	4,666	187	-105	31	4,780
Other property and equipment	2,561	404	-314	-49	2,602
TOTAL	**7,747**	**593**	**-427**	**-14**	**7,898**
Accumulated depreciation and impairment provisions					
Land used in operations	-3	-2	0	0	-5
Buildings used in operations	-2,805	-194	85	-13	-2,927
Other property and equipment	-2,024	-192	140	52	-2,024
TOTAL	**-4,833**	**-388**	**225**	**39**	**-4,957**
TOTAL - Net amount	**2,914**	**205**	**-203**	**25**	**2,942**
Including buildings under finance leases					
Land used in operations	7				7
Buildings used in operations	113		-2		111
Total	**120**	**0**	**-2**	**0**	**118**

17 b - Intangible assets

	Dec. 31, 2015	Additions	Disposals	Other movements	Dec. 31, 2016
Historical cost					
. Internally developed intangible assets	16	0	0	0	16
. Purchased intangible assets	1,846	52	-42	36	1,893
- software	467	17	-19	32	497
- other	1,380	35	-23	4	1,396
TOTAL	**1,863**	**52**	**-42**	**36**	**1,909**
Accumulated depreciation and impairment provisions					
. Internally developed intangible assets					
. Purchased intangible assets	-1,048	-194	47	-28	-1,223
- software	-432	-36	16	-30	-481
- other	-616	-158	31	2	-741
TOTAL	**-1,048**	**-194**	**47**	**-28**	**-1,223**
Net amount	**815**	**-142**	**5**	**8**	**686**

NOTE 18 - Goodwill

	Dec. 31, 2015	Additions	Disposals	Impairment losses/reversals	Other movements	Dec. 31, 2016
Goodwill, gross	4,292	343	0	0	-3	4,632
Impairment provisions	-291	0	0	-187	3	-475
Goodwill, net	**4,001**	**343**	**0**	**-187**	**0**	**4,157**

Subsidiaries	Goodwill as of Dec. 31, 2015	Additions	Disposals	Impairment losses/reversals	Other movements	Goodwill as of Dec. 31, 2016
Targobank Germany	2781					2,781
Crédit Industriel et Commercial (CIC)	497					497
Cofidis Participations	387				70	457
Targobank Espagne*		187		-187		0
Cofidis SGPS SA	70				-70	0
El Telecom	78					78
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA (formely Royal Automobile Club de Catalogne)	51				1.5	53
CM-CIC Investissement SCR	21					21
CIC Iberbanco	15					15
Banque de Luxembourg	13					13
Cofidis Italie	9					9
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Factofrance SAS		80				80
Heller Gmbh et Targo Leasing GmbH		75				75
Other expenses	67				-2	66
TOTAL	**4,001**	**343**	**0**	**-187**	**0**	**4,157**

** In March 2016, BFCM acquired an additional 1.02% stake in Targobank Spain for a total ownership interest of 51.02%. This makes Crédit Mutuel-CM11 Group the majority owner. Goodwill was thus measured on the acquisition date at €187 million based on shareholders' equity at end-March, in accordance with revised IFRS 3. In light of developments since that date (new management team, new management outlook, etc.), goodwill was fully amortized from the end of first-half 2016.*

The cash generating units to which goodwill is assigned are tested annually to ascertain their recoverable value. A goodwill impairment loss is recognized if the recoverable amount is less than the carrying amount.

Recoverable value is calculated using two methods:

· Fair value minus selling costs, which is based on observing valuation multiples on comparable transactions or market parameters used by analysts on similar entities or activities;

. Value in use, which is determined by discounting expected future cash flows.

To calculate value in use, cash flows are based on business plans established by management for a maximum period of five years, then on projected cash flows to infinity based on a long-term growth rate. The long-term growth rate is set at 2% for all European entities, an assumption determined in comparison to the observed very-long-term inflation rate.

Future cash flows are discounted at a rate corresponding to the cost of capital, which is determined based on a long-term risk-free rate to which a risk premium is added. The risk premium is determined by observing the price sensitivity relative to the market for listed assets or by analyst estimates for unlisted assets.

The key sensitivity factors in the recoverable value test based on value in use are the discount rate and anticipated future flow levels. When value in use has been used for impairment testing purposes, the parameters and their sensitivity is as follows:

	Targobank Germany	**Cofidis**
	Network bank	Consumer credit
Capital cost	9.00%	9.00%
Effect of 50 basis point increase in capital cost	-342	-223
Effect of 1% decrease in future cash flows	-50	-31

The impact of goodwill valuation on income is limited to 32 million based on worst-case assumptions.

NOTE 19 - Debt securities

	Dec. 31, 2016	Dec. 31, 2015
Retail certificates of deposit	744	825
Interbank instruments and money market securities	61,111	50,652
Bonds	49,175	52,520
Accrued interest	1,428	1,399
TOTAL	**112,458**	**105,396**

NOTE 20 - Technical reserves of insurance companies

	Dec. 31, 2016	Dec. 31, 2015
Life	82,239	78,687
Non-life	3,139	2,771
Unit of account	7,724	6,953
Other expenses	295	287
TOTAL	**93,396**	**88,698**
Of which deferred profit-sharing - liability	*12,026*	*9,891*
Deferred profit sharing - assets	**0**	**0**
Reinsurers' share of technical reserves	**320**	**297**
TOTAL - Net technical reserves	**93,076**	**88,401**

NOTE 21 - Provisions

	Dec. 31, 2015	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	Dec. 31, 2016
Provisions for risks	**275**	**155**	**-31**	**-88**	**21**	**333**
Signature commitments	126	60	-12	-44	3	133
Financing and guarantee commitments	3	0			2	3
On country risks	0	0	0	0	0	0
Provision for taxes	39	10	0	-12		36
Provisions for claims and litigation	83	35	-17	-17	13	97
Provision for risks on miscellaneous receivables	24	50	-1	-14	4	64
Other provisions	**1,017**	**376**	**-196**	**-59**	**-13**	**1,125**
Provisions for home savings accounts and plans	137	27	0	-1	-1	162
Provisions for miscellaneous contingencies	517	238	-185	-22	-1	547
Other provisions (1)	363	111	-11	-36	-11	416
Provision for retirement benefits	**1,114**	**44**	**-21**	**-6**	**246**	**1,377**
Retirement benefits - defined benefit and equivalent, excluding pension funds						
Retirement bonuses (2)	865	32	-14	-4	124	1,002
Supplementary retirement benefits	113	5	-5	-1	104	217
Long service awards (other long-term benefits)	121	5	-1	-1	5	128
Sub-total recognized	1,099	42	-21	-6	232	1,346
Supplementary retirement benefit - defined benefit, provided by Group's pension funds						
Provision for pension fund shortfalls (3)	15	2	0	0	14	31
Sub-total recognized	15	2	0	0	14	31
TOTAL	**2,405**	**575**	**-247**	**-153**	**255**	**2,835**

Assumptions used	**2016**	**2015**
Discount rate(4)	1.2%	2.0%
Annual increase in salaries(5)	Minimum 0.5%	Minimum 0.8%

(1) Other provisions include provisions set aside in respect of economic interest groupings (EIG) totaling €345 million.

(2) The other changes result from the change in the discount rate, estimated using the IBOXX index, which was retained at 1.20% at December 31, 2016, compared with 2% at December 31, 2015

(3) The provisions for pension fund shortfalls relate to entities located abroad.

(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 estimated cumulative future salary inflation rate.

Movements in provision for retirement bonuses

	Dec. 31, 2015	Discounted amount	Financial income	Cost of services performed	Other costs incl. Past service	Actuarial gains (losses) relating to changes in assumptions		Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31,2016
						demographic	financial					
Commitments	1,256	26	0	52		-6	140	-50	0	2	-10	1,410
Non-group insurance contract and externally managed assets	392	0	8	0		0	5	-1	4	0	0	408
Provisions	**865**	**26**	**-8**	**52**	**0**	**-6**	**135**	**-50**	**-4**	**2**	**-10**	**1,002**

	Dec. 31, 2014	Discounted amount	Financial income	Cost of services performed	Other costs incl. Past service	Actuarial gains (losses) relating to changes in assumptions		Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31,2015
						demographic	financial					
Commitments	1,303	23	0	52	0	3	-84	-49	0	-1	9	1,256
Non-group insurance contract and externally managed assets	382	0	8	0	0	0	-2	0	4	0	0	392
Provisions	**921**	**23**	**-8**	**52**	**0**	**3**	**-82**	**-49**	**-4**	**-1**	**9**	**865**

A change of plus or minus 50 basis points in the discount rate would result in, respectively, a fall of €113 million / an increase of €118 million in the commitment. The term of the commitments (excluding foreign entities) is 18 years.

Change in the fair value of plan assets

in € thousands	Fair value of assets Dec. 31, 2015	Discounted amount	Actuarial gains (losses)	Yield of plan assets	Contributions by plan participants	Employer contributions	Payment to beneficiaries	Foreign exchange effect	Other	Fair value of assets Dec. 31, 2016
Fair value of plan assets	899,303	6,092	24,830	11,509	3,855	33,845	-33,601	0	-47	945,784

in € thousands	Fair value of assets Dec. 31, 2014	Discounted amount	Actuarial gains (losses)	Yield of plan assets	Contributions by plan participants	Employer contributions	Payment to beneficiaries	Foreign exchange effect	Other	Fair value of assets Dec. 31, 2015
Fair value of plan assets	914,447	10,643	-13,566	9,073	3,375	3,400	-28,068	0	0	899,303

Details of the fair value of plan assets

	Dec. 31, 2016				Dec. 31, 2015			
	Debt securities	Equity instruments	Real estate	Other	Debt securities	Equity instruments	Real estate	Other
Assets listed on an active market	76%	21%	0%	2%	72%	20%	0%	2%
Assets not listed on an active market	0%	0%	1%	0%	0%	0%	1%	0%
Total	76%	21%	1%	2%	72%	20%	1%	2%

Provisions for signature risk on home savings accounts and plans

	Dec. 31, 2016	Dec. 31, 2015
Home savings plans		
Contracted less than 10 years ago	22,813	19,834
Contracted more than 10 years ago	5,527	5,551
Total	**28,340**	**25,385**
Amounts outstanding under home savings accounts	**2,789**	**2,805**
Total	**31,129**	**28,191**

Home savings loans	Dec. 31, 2016	Dec. 31, 2015
Balance of home savings loans giving rise to provisions for risks reported in assets	258	366

Provisions for home savings accounts and plans	**Dec. 31, 2015**	**Net additions/ reversals**	**Other movements**	**Dec. 31, 2016**
On home savings accounts	17		0	16
On home savings plans	111	30	0	141
On home savings loans	8	(3)		5
Total	**136**	**26**	**0**	**162**
Maturity analysis				
Contracted less than 10 years ago	72	57	0	129
Contracted more than 10 years ago	39	(27)	0	12
Total	**111**	**30**	**0**	**141**

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 individual customers. These products combine a stage of interest-bearing savings, which give right to a preferential housing loan in a second stage. These products place a twofold commitment on the distributor:
- a commitment to provide a future 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 on 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 increase in provisions for risks during the fiscal year is mainly due to:
- A change to the behavioral law used for PEL deposits, which now reflects the correlation between PEL account closures (with no loan having been arranged) and interest rates: thus, when market rates are low, PEL account holders are more inclined to maintain their best-remunerated deposits; this would result in an increase in the provision.
- An increase in the CEL provision due to a reduction in CEL loan interest rates resulting from a lower inflation rate: a higher provision is required when the spread widens between CEL loan rates and more traditional housing loan rates.

NOTE 22 - Subordinated debt

	Dec. 31, 2016	Dec. 31, 2015
Subordinated debt	5,611	4,726
Non-voting loan stock	24	26
Perpetual subordinated loan stock	1,014	1,283
Other debt	0	0
Accrued interest	61	54
TOTAL	**6,710**	**6,088**

Main subordinated debt issues

(in € millions)	**Type**	**Issue date**	**Amount issued**	**Amount as end of exercice (1)**	**Rate**	**Maturity**
Banque Fédérative du Crédit Mutuel	Subordinated note	Dec. 6, 2011	€1,000m	€1,000m	5.30	Dec. 6, 2018
Banque Fédérative du Crédit Mutuel	Subordinated note	Oct. 22, 2010	€1,000m	€911m	4.00	Oct. 22, 2020
Banque Fédérative du Crédit Mutuel	Subordinated note	May 21, 2014	€1,000m	€1,000m	3.00	May 21, 2024
Banque Fédérative du Crédit Mutuel	Subordinated note	Sept. 11,2015	€1,000m	€1,000m	3.00	Sept. 11,2025
Banque Fédérative du Crédit Mutuel	Subordinated note	Mar. 24, 2016	€1,000m	€1,000m	2.475	Mar. 24, 2026
Banque Fédérative du Crédit Mutuel	Subordinated note	Nov. 04, 2016	€700m	€700m	1.875	Nov. 04, 2026
CIC	Non-voting loan stock	May 28, 1985	€137m	€11m	(2)	(3)
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Dec. 15, 2004	€750m	€737m	(4)	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Feb. 25, 2005	€250m	€250m	(5)	No fixed maturity

(1) Amounts net of intra-Group balances.
(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(3) Non amortizable, but redeemable at borrower's discretion with effect from May 28, 1997 at 130% of par revalued by 1.5% annually for subsequent years.
(4) 10-year CMS ISDA CIC + 10 basis points.
(5) 10-year CMS ISDA + 10 basis points.

NOTE 23 - Shareholders' equity

23a - Shareholders' equity (excluding unrealized or deferred gains and losses) attributable to the Group

	Dec. 31, 2016	Dec. 31, 2015
. Capital stock and issue premiums	5,941	5,820
- Capital stock	5,941	5,820
- Issue premiums	0	0
. Consolidated reserves	26,828	24,691
- Regulated reserves	8	6
- Other reserves (including effects related to first-time application of standards)	26,690	24,565
- Retained earnings	129	120
. Net income for the year	2,410	2,254
TOTAL	**35,178**	**32,766**

The share capital of Caisses de Crédit Mutuel comprises:
- non-transferable A units,
- tradable B units,
- priority interest P units.

B units may only be subscribed by members with a minimum of one A unit. The articles of association of local Caisses limit subscription to B units by the same member to €50,000 (except in the case of reinvestment of the dividend in B units). Pursuant to the law of September 10, 1947, the capital may be no lower, after restatement of contributions, than one quarter of its highest previous level.
The purchasing system for B units differs according to whether they were subscribed before or after December 31, 1988:
- units subscribed up to December 31, 1988 may be redeemed at the member's request for January 1 each year. Redemption, which is subject to compliance with measures governing a capital decrease, requires a minimum notice period of three months.
- units subscribed from January 1, 1989 may be redeemed at the member's request with a notice period of five years, except in the case of marriage, death or unemployment. These transactions must also comply with measures governing a capital decrease.
The Caisse may, by resolution of the board of directors and with the agreement of the supervisory board, redeem all or some of the units in this category under the same conditions.
Priority interest P units are issued by Caisse Régionale du Crédit Mutuel de Normandie, Caisse Régionale du Crédit Mutuel Midi-Atlantique and by the Caisse de Crédit Mutuel "Cautionnement Mutuel de l'Habitat", a mutual loan guarantee company that has been issuing priority interest share capital units since 1999, with subscription reserved for distributors of secured loans outside the CM11 group.

At December 31, 2016, the capital of the Crédit Mutuel Caisses comprised:
- €192.6 million in A units
- €5,734.5 million in B units
- €13.4 million in P units

23b - Unrealized or deferred gains and losses

	Dec. 31, 2016	Dec. 31, 2015
Unrealized or deferred gains and losses* relating to:		
. Available-for-sale financial assets		
- equities	973	1,168
- bonds	769	627
. Hedging derivative instruments (cash flow hedges)	-19	-20
. Actuarial gains and losses	-312	-203
. Translation adjustments	95	159
. Share of unrealized or deferred gains and losses of associates	-13	-13
TOTAL	**1,495**	**1,717**
Attributable to the Group	*1,296*	*1,543*
Attributable to minority interests	*199*	*175*

** Net of tax.*

23c - Recycling of gains and losses recognized directly in equity

	Changes 2016	Changes 2015
Translation adjustments		
- Reclassification in income	-66	0
- Other movements	3	79
- Translation adjustment	*-63*	*79*
Remeasurement of available-for-sale financial assets		
- Reclassification in income	-205	-69
- Other movements	154	230
Remeasurement of available-for-sale financial assets	*-51*	*161*
Remeasurement of hedging derivative instruments		
- Reclassification in income	0	0
- Other movements	1	0
Remeasurement of hedging derivatives	*1*	*0*
- Share of unrealized or deferred gains and losses of associates	1	-1
Share of unrealized or deferred gains and losses of associates	*1*	*-1*
TOTAL - Recyclable gains and losses	***-113***	***239***
- Remeasurement of non-current assets		
- Actuarial gains and losses on defined benefit plans	-110	61
TOTAL - Non-recyclable gains and losses	**-110**	**61**
Total gains and losses recognized directly in shareholders' equity	**-223**	**300**

23d - Tax on components of gains and losses recognized directly in equity

	Changes 2016			Changes 2015		
	Gross amount	Corporate income tax	Net amount	Gross amount	Corporate income tax	Net amount
Translation adjustments	-63		-63	79		79
Remeasurement of available-for-sale financial assets	-78	27	-51	246	-85	161
Remeasurement of hedging derivatives	2	-1	1	0	0	0
Remeasurement of non-current assets	0	0		0	0	
Actuarial gains and losses on defined benefit plans	-167	58	-110	93	-32	61
Share of unrealized or deferred gains and losses of associates	1		1	-1		-1
Total gains and losses recognized directly in shareholders' equity	**-307**	**84**	**-223**	**416**	**-117**	**300**

NOTE 24 - Commitments given and received

Commitments and guarantees given	Dec. 31, 2016	Dec. 31, 2015
Financing commitments		
Commitments given to credit institutions	1,316	1,242
Commitments given to customers	56,784	53,490
Guarantee commitments		
Guarantees given on behalf of credit institutions	2,591	1,322
Guarantees given on behalf of customers	15,676	15,433
Commitments on securities		
Securities acquired with resumption option	0	0
Other commitments given	102	796
Commitments given by the Insurance business line	1,468	1,137

Commitments and guarantees received	Dec. 31, 2016	Dec. 31, 2015
Financing commitments		
Commitments received from credit institutions	17,664	4,586
Commitments received from customers	56	0
Guarantee commitments		
Commitments received from credit institutions	41,009	35,514
Commitments received from customers	18,471	17,208
Commitments on securities		
Other commitments received	753	516
Commitments received by the Insurance business line	4,913	3,714

Securities sold under repurchase agreements	Dec. 31, 2016	Dec. 31, 2015
Amounts received under resale agreements	33,255	32,094
Related liabilities	32,934	32,538

Assets given as collateral for liabilities	Dec. 31, 2016	Dec. 31, 2015
Loaned securities	0	1
Security deposits on market transactions	6,112	5,599
Total	**6,112**	**5,599**

For the purposes of its refinancing activities, the Group enters into repurchase agreements in respect of debt securities and/or equity securities. These agreements result in the transfer of the ownership of securities that the transferee may in turn lend. Coupons and dividends are the property of the borrower. These transactions are subject to margin calls and the Group is exposed to the non-return of securities.

NOTE 25 - Interest income, interest expense and equivalent

	Dec. 31, 2016		Dec. 31, 2015	
	Income	Expense	Income	Expense
. Credit institutions and central banks	343	-415	727	-541
. Customers	12,360	-5,001	12,587	-5,248
- of which finance leases and operating leases	2,908	-2,609	2,749	-2,482
. Hedging derivative instruments	1,685	-2,189	1,763	-2,498
. Available-for-sale financial assets	504		473	
. Held-to-maturity financial assets	162		255	
. Debt securities		-1,886		-1,923
. Subordinated debt		-11		-33
TOTAL	**15,053**	**-9,501**	**15,804**	**-10,243**

NOTE 26 - Fees and commissions

	Dec. 31, 2016		Dec. 31, 2015	
	Income	Expense	Income	Expense
Credit institutions	8	-8	10	-38
Customers	1,584	-26	1,554	-25
Securities	738	-44	783	-44
of which funds managed for third parties	*532*		*533*	
Derivative instruments	3	-4	3	-7
Foreign exchange	23	-2	28	-2
Financing and guarantee commitments	122	-8	129	-7
Services provided	1,887	-1,018	1,770	-996
TOTAL	**4,366**	**-1,110**	**4,277**	**-1,120**

NOTE 27 - Net gain (loss) on financial instruments at fair value through profit or loss

	Dec. 31, 2016	Dec. 31, 2015
Trading derivative instruments	490	437
Instruments designated under the fair value option(1)	369	173
Ineffective portion of hedging instruments	7	4
. Cash flow hedges	0	0
. Fair value hedges	7	4
. Change in fair value of hedged items	-482	-346
. Change in fair value of hedging items	488	350
Foreign exchange gains (losses)	55	85
Total changes in fair value	**920**	**698**

(1) of which €195 million relating to the Private equity business line vs €166 million as of Déc. 31, 2015

NOTE 28 - Net gain (loss) on available-for-sale financial assets

	Dec. 31, 2016			
	Dividends	Realized gains (losses)	Impairment losses	Total
. Government securities, bonds and other fixed-income securities		181	0	181
. Equities and other variable-income securities	67	-47	-9	11
. Long-term investments (1)	39	469	-12	496
. Other expenses	0	0	0	0
TOTAL	**106**	**603**	**-21**	**689**

(1) Includes the result of the sale of Visa securities

	Dec. 31, 2015			
	Dividends	Realized gains (losses)	Impairment losses	Total
. Government securities, bonds and other fixed-income securities		216	0	216
. Equities and other variable-income securities	55	87	11	154
. Long-term investments (1)	38	-67	87	57
. Other expenses	0	-1	0	-1
TOTAL	**93**	**235**	**98**	**427**

(1) Following TUP CIC Group entities wearing BPM titles, it was found in 2015, €98 million of confusion Mali and €89 million of reversals of provisions for risks and charges

NOTE 29 - Other income and expense

	Dec. 31, 2016	Dec. 31, 2015
Income from other activities		
. Insurance contracts	13,236	13,383
. Investment property	2	2
- Reversals of depreciation, amortization and impairment charges	2	1
- Capital gains on disposals	0	1
. Rebilled expenses	84	86
. Other income	1,747	1,679
Sub-total	**15,069**	**15,150**
Expenses on other activities		
. Insurance contracts	-11,068	-11,137
. Investment property	-38	-39
- depreciation, amortization and impairment charges (based on the accounting method selected)	-38	-39
. Other expenses	-1,078	-972
Sub-total	**-12,184**	**-12,149**
Other income and expense, net	**2,885**	**3,001**

Net income from the Insurance business line

	Dec. 31, 2016	Dec. 31, 2015
Earned premiums	10,346	10,142
Claims and benefits expenses	-7,292	-6,932
Movements in provisions	-3,759	-4,214
Other technical and non-technical income and expense	56	79
Net investment income	2,817	3,171
Total	**2,168**	**2,246**

NOTE 30 - General operating expenses

	Dec. 31, 2016	Dec. 31, 2015
Payroll costs	-4,709	-4,639
Other operating expenses	-3,493	-3,268
TOTAL	**-8,202**	**-7,907**

30a - Payroll costs

	Dec. 31, 2016	Dec. 31, 2015
Salaries and wages	-2,981	-2,924
Social security contributions(1)	-1,120	-1,086
Employee benefits - short-term	-2	-2
Incentive bonuses and profit-sharing	-278	-268
Payroll taxes	-326	-359
Other expenses	-2	0
TOTAL	**-4,709**	**-4,639**

(1) The CICE tax credit for competitiveness and employment is recognized as a credit to payroll costs and amounted to €62 million in 2016.

The CICE enabled, in particular, the maintenance of or even an increase in financing for employee training at a level well above the regulatory requirements, and enhancement of the Group's overall competitiveness, particularly through:

- investment in new technologies such as digital applications (tablets) and videoconferencing systems on portable computers, enabling customers and members to not only remain in closer contact with their customer relationship managers but also to achieve energy savings;
- IT developments concerning new telephone-based means of payment and related services,
- IT developments concerning the redesigning of the website providing customers and members with better overall information about the accounts and services offered;
- research into new services benefiting our merchant customers,
- searching for new domestic and international markets.

Number of employees

Average number of employees	Dec. 31, 2016	Dec. 31, 2015
Banking staff	39,957	38,969
Management	24,598	23,099
TOTAL	**64,555**	**62,068**
Analysis by country		
France	51,437	50,309
Rest of the world	13,118	11,759
TOTAL	**64,555**	**62,068**

	Dec. 31, 2016	Dec. 31, 2015
*Number of employees at end of year**	**69,514**	**66,372**

** The number of employees at end of year corresponds to the total number of employees in all entities controlled by the Group as of December 31. In contrast, the consolidated average number of employees (full-time equivalent, or FTE) is limited to the scope of financial consolidation (full consolidation).*

30b - Other operating expenses

	Dec. 31, 2016	Dec. 31, 2015
Taxes and duties (1)	-416	-343
External services	-2,418	-2,281
Other miscellaneous expenses (transportation, travel, etc.)	-103	-108
TOTAL	**-2,936**	**-2,732**

(1) Including € 85 million for the contribution to the Single Resolution Fund in 2016 compared with € 44 million in 2015

30c - Depreciation, amortization and impairment of property, equipment and intangible assets

	Dec. 31, 2016	Dec. 31, 2015
Depreciation and amortization	-461	-515
- property and equipment	-388	-392
- intangible assets	-73	-123
Impairment losses	-95	-21
- property and equipment	0	2
- intangible assets	-95	-23
TOTAL	**-557**	**-536**

NOTE 31 - Net additions to/reversals from provisions for loan losses

Dec. 31, 2016	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
Credit institutions	0	9	0	0	0	8
Customers	-1,393	1,516	-805	-305	161	-825
. Finance leases	-14	15	-9	-2	0	-9
. Other customer items	-1,378	1,501	-796	-303	160	-816
Sub-total	**-1,393**	**1,525**	**-805**	**-305**	**161**	**-817**
Held-to-maturity financial assets	0	0	0	0	0	0
Available-for-sale financial assets	-2	1	-4	-15	14	-6
Other	-59	63	-6	-2	0	-4
TOTAL	**-1,454**	**1,589**	**-815**	**-322**	**175**	**-826**

Dec. 31, 2015	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
Credit institutions	0	30	-2	-1	0	27
Customers	-1,416	1,448	-688	-327	169	-814
. Finance leases	-7	4	-2	-2	1	-7
. Other customer items	-1,409	1,444	-685	-325	168	-807
Sub-total	**-1,416**	**1,478**	**-690**	**-328**	**169**	**-787**
Held-to-maturity financial assets	0	4	0	0	0	4
Available-for-sale financial assets	0	28	-32	-23	1	-26
Other	-47	58	-3	-1	0	7
TOTAL	**-1,463**	**1,567**	**-724**	**-353**	**170**	**-803**

NOTE 32 - Gains (losses) on other assets

	Dec. 31, 2016	Dec. 31, 2015
Property, equipment and intangible assets	13	-10
. Losses on disposals	-15	-27
. Gains on disposals	28	17
Gain (loss) on consolidated securities sold	0	-6
TOTAL	**13**	**-16**

NOTE 33 - Change in value of goodwill

	Dec. 31, 2016	Dec. 31, 2015
Impairment of goodwill	-187	-90
TOTAL	**-187**	**-90**

NOTE 34 - Corporate income tax

Breakdown of income tax expense

	Dec. 31, 2016	Dec. 31, 2015
Current taxes	-1,427	-1,513
Deferred taxes	48	-17
Adjustments in respect of prior years	-4	-9
TOTAL	**-1,383**	**-1,539**

Reconciliation between the corporate income tax expense recognized and the theoretical tax expense

	Dec. 31, 2016	Dec. 31, 2015
Taxable income	4,100	3,978
Theoretical tax rate	34.43%	38.00%
Theoretical tax expense	**-1,412**	**-1,512**
Impact of preferential "SCR" and "SICOMI" rates	48	43
Impact of the reduced rate on long-term capital gains	163	9
Impact of different tax rates paid by foreign subsidiaries	-23	41
Permanent timing differences	-94	-10
Other impacts	-66	-79
Tax expense	**-1,383**	**-1,507**
Effective tax rate	33.73%	37.88%

NOTE 35 - Fair value hierarchy of financial instruments recognized at amortized cost

The estimated fair values presented are calculated based on observable parameters at December 31, 2016 and are obtained by computing estimated discounted future cash flows using a risk-free yield curve. For asset items, the yield curve factors in a credit spread calculated for the CM11-CIC group as a whole, which is revised on a yearly basis.
The financial instruments discussed in this note relate to loans and borrowings. They do not include non-monetary elements (equities), trade payables, other assets, other liabilities and accruals. Non-financial instruments are not discussed in this section.
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 group entities may also apply assumptions whereby fair value is deemed to equal the carrying amount for those contracts indexed to a floating rate, or whose residual life is one year or less.
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. Accordingly, gains and losses are not recognized.
However, should financial instruments carried at amortized cost be transferred, the selling price may be significantly different from the fair value calculated at December 31, 2016.

	Dec. 31, 2016					
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**393,743**	**379,309**	**14,434**	**13,235**	**45,139**	**335,370**
Loans and receivables due from credit institutions	37,370	37,694	-324	44	37,325	1
- Debt securities	486	486	0	44	441	1
- Loans and advances	36,884	37,208	-324	0	36,884	0
Loans and receivables due from customers	342,984	329,958	13,026	91	7,524	335,368
- Debt securities	339	340	-1	91	14	234
- Loans and advances	342,645	329,618	13,027	0	7,510	335,135
Held-to-maturity financial assets	13,389	11,657	1,732	13,100	289	0
Liabilities	**452,866**	**444,571**	**8,295**	**0**	**281,041**	**171,824**
Due to credit institutions	49,088	49,209	-121	0	49,088	0
Due to customers	278,896	276,194	2,702	0	107,072	171,824
Debt securities	117,615	112,458	5,157	0	117,615	0
Subordinated debt	7,267	6,710	557	0	7,267	0

	Dec. 31, 2015					
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**402,279**	**387,481**	**14,798**	**14,175**	**82,944**	**305,160**
Loans and receivables due from credit institutions	68,602	70,250	-1,647	269	68,306	27
- Debt securities	936	935	1	269	640	27
- Loans and advances	67,666	69,314	-1,649	0	67,666	0
Loans and receivables due from customers	318,908	304,136	14,773	146	13,638	305,124
- Debt securities	421	426	-4	146	43	232
- Loans and advances	318,487	303,710	14,777	0	13,594	304,893
Held-to-maturity financial assets	14,768	13,095	1,673	13,759	1,001	8
Liabilities	**415,952**	**409,845**	**6,106**	**0**	**254,380**	**161,572**
Due to credit institutions	43,830	43,990	-161	0	43,830	0
Due to customers	254,793	254,370	423	0	93,221	161,572
Debt securities	110,649	105,396	5,252	0	110,649	0
Subordinated debt	6,680	6,088	592	0	6,680	0

NOTE 36 - Related party transactions

Statement of financial position items concerning related party transactions

	Dec. 31, 2016		Dec. 31, 2015	
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Companies consolidated using the equity method	Other entities in the Confédération Nationale
Assets				
Loans, advances and securities				
Loans and receivables due from credit institutions	2,642	4,021	2,627	5,055
Loans and receivables due from customers	0	16	0	48
Securities	0	316	0	577
Other assets	4	30	3	51
TOTAL	2,646	4,382	2,631	5,730
Liabilities				
Deposits				
Due to credit institutions	921	1,179	3,196	648
Due to customers	10	1,537	10	2,077
Debt securities	0	555	30	728
Other liabilities	0	64	0	90
TOTAL	931	3,336	3,236	3,544
Financing and guarantee commitments				
Financing commitments given	390	10	410	5
Guarantee commitments given	29	88	43	77
Guarantee commitments received	0	543	0	486

Income statement items concerning related party transactions

	Dec. 31, 2016		Dec. 31, 2015	
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Companies consolidated using the equity method	Other entities in the Confédération Nationale
Interest received	12	48	8	65
Interest paid	-4	-25	0	-39
Fees and commissions received	6	20	5	16
Fees and commissions paid	0	0	0	-5
Other income (expense)	47	-20	39	-10
General operating expenses	9	-15	4	-15
TOTAL	69	9	56	13

"Other entities in the Confédération Nationale" correspond to the other Crédit Mutuel regional federations that do not belong to the Caisse Fédérale de Crédit Mutuel.

Relationships with the Group's key management

In the context of regulatory changes (decree of Nov. 3, 2014) and to comply with professional recommendations, the Group's deliberative bodies and, more particularly, the Banque Fédérative board of directors have entered into commitments concerning the compensation of market professionals and of its officers and directors.

These commitments have been disclosed to the AMF and on the institution's website. Compensation received by the Group officers and directors includes a portion related to their activities at Crédit Mutuel and CIC. It may include a fixed and a variable portion. This compensation is set by the deliberative bodies of BFCM and CIC based on proposals from compensation committees of the respective boards of directors. No variable compensation has been paid in the last two years. The Group's officers and directors also benefited from the accidental death and disability plans and supplementary plans made available to all Group employees.

However, the Group's officers and directors did not receive any other specific benefits. They did not receive any equity securities, warrants or options to purchase BFCM or CIC shares. In addition, they do not receive any attendance fees in consideration of their board mandates, whether the boards are of Group companies or companies outside the Group but on whose board they sit as a result of their functions within the Group. The Group's officers and directors may also hold assets in or have borrowings from the Group's banks on the same terms and conditions offered to all other employees.

Total compensation paid to key management	*Dec. 31, 2016*	*Dec. 31, 2015*
Amounts in € thousands	Total compensation	Total compensation
Corporate officers - Management Committee - Board members who receive compensation	5,776	5,723

The amount of provisions for retirement bonuses and long-service awards stood at €2,477 million at December 31, 2016.

At its meeting of May 8, 2011, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Fradin's term of office as CEO, subject to a performance-related condition and representing one year of his compensation as a corporate officer, i.e., a commitment currently estimated at €1,200,000 (including social security contributions). Mr. Fradin is also covered by a supplementary pension plan within the framework of his corporate office, the conditions of which are the same as those that apply to the other employees of BFCM and for which the contributions paid to the insurance company covering this entire commitment amounted to €18,690 in 2016.

At its meeting of February 26, 2015, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Théry's term of office as Chairman of the Board of Directors, subject to a performance-related condition and representing one year of his compensation as a corporate officer, i.e., a commitment currently estimated at €690,000 (including social security contributions). Mr. Théry is also covered by a supplementary pension plan within the framework of his corporate office, the conditions of which are the same as those that apply to the other employees of BFCM and for which the contributions paid to the insurance company covering this entire commitment amounted to €18,690 in 2016.

NOTE 37 - Events after the reporting period and other information

The consolidated financial statements of the group of members of the Caisse Fédérale de Crédit Mutuel at the year ended December 31, 2016 were approved by the board of directors at its meeting of February 27, 2017.

NOTE 38 - Exposure to risk

The risk exposure information required by IFRS 7 is included in Section 4 of the management report.

NOTE 39 - Statutory auditors' fees

(in € thousands, excluding VAT)	ERNST & YOUNG				PWC	KPMG AUDIT	PWC	KPMG AUDIT
	Amount		%		Amount		%	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Audit								
Statutory audit and contractual audits								
- BFCM	140	221	5%	6%	0	271	0%	4%
- Fully consolidated subsidiaries	2,140	2,747	81%	78%	2,723	4,952	85%	65%
Other assignments and services directly related to the statutory audit								
- BFCM	50	20	2%	1%	0	28	0%	0%
- Fully consolidated subsidiaries	271	362	10%	10%	147	2,111	5%	28%
Sub-total	***2,601***	***3,350***	***99%***	***95%***	***2,870***	***7,362***	***90%***	***97%***
Other services provided by the networks to fully consolidated subsidiaries								
- Legal, tax and corporate advisory services	35	22	1%	1%	71	106	2%	1%
- Other	0	170	0%	5%	244	156	8%	2%
Sub-total	***35***	***192***	***1%***	***5%***	***315***	***262***	***10%***	***3%***
Total	**2,636**	**3,542**	**100%**	**100%**	**3,185**	**7,624**	**100%**	**100%**

The Shareholders' Meeting of May 27, 2016 appointed the PwC firm as joint statutory auditor for the CM11 scope (replacing KPMG), for a six-year term from fiscal year 2016.

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 the CM11 group, mentioned in the table above, amounted to €13,904 thousand for the fiscal year 2016.

III.5 - Statutory Auditors' report on the consolidated financial statements of Crédit Mutuel-CM11 Group

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the group's management report. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

PricewaterhouseCoopers France

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

S.A.R.L. au capital de € 86.000 (limited liability company)

Statutory Auditors

Member of the Versailles

regional institute of accountants

ERNST & YOUNG et Autres

1/2, place des Saisons

92400 Courbevoie – Paris-La Défense 1

S.A.S. à capital variable (Simplified stock company with variable capital)

Statutory Auditors

Member of the Versailles

regional institute of accountants

Crédit Mutuel – CM11 Group

Year ended December 31, 2016

Statutory Auditors' Report on the Consolidated Financial Statements

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you for the year ended December 31, 2016 on:

- the audit of the accompanying consolidated financial statements of the Crédit Mutuel - CM11 Group;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.1 to the consolidated financial statements regarding the change in accounting method for the capitalisation reserve of ACM.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The Group uses internal models and methods to value positions in financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in Notes 1.3 and 12 to the consolidated financial statements. We examined the control system applied to these models and methods, the parameters used and the identification of the financial instruments to which they apply.
- The Group recognizes impairment losses on assets available for sale when there is an objective indication of a prolonged or significant reduction in the value of these assets (Notes 1.3 and 7 to the consolidated financial statements). We examined the control system applied to the identification of impairment indicators, the valuation of the most significant items, and the estimates that led, where applicable, to the recognition of impairment provisions to cover losses in value.
- The Group carried out impairment tests on goodwill and investments held, which resulted, where relevant, in the recognition of impairment provisions in respect of this financial year (Notes 1.2 and 18 to the consolidated financial statements). We examined the methods used to implement these tests, the main assumptions and parameters used and the resulting estimates that led, where applicable, to impairment losses.
- The Group records impairment losses to cover the credit and counterparty risks inherent to its business (Notes 1.3, 8a, 10, 21 and 31 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of losses in value by individual and collective impairment provisions.
- The Group records provisions for employee benefit obligations (Notes 1.3 and 21 to the consolidated financial statements). We examined the method used to assess these obligations, as well as the main assumptions and calculation methods used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, April 12, 2017.

French original signed by

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Olivier Durand

IV. CRÉDIT MUTUEL-CM11 GROUP

INFORMATION RELATING to PILLAR 3 of the BASEL AGREEMENTS

Information relating to Pillar 3 of the Basel agreements as transposed in the European regulation.

IV.1 - Risk management

IV.1.1 - Risk management policy and procedures

The risk management policy and procedures implemented are described in the section entitled “Risk Report”.

IV.1.2 - Risk management function’s structure and organization

The Basel agreements relating to risk management by credit institutions have contributed to the emergence of a national risk function, independent from entities responsible for setting up or renewing credit lines. This is overseen by the Risks Department and by the Compliance Department of the Confédération Nationale du Crédit Mutuel (CNCM), both of which report to Executive management.

The Risks Department encompasses credit risk, interest-rate, liquidity and market risk, operational risk and permanent control. It consists of three divisions: the Risks team, the Basel team and Permanent Control.

The Risks team uses tools and methodologies (developed internally and broadly integrating the rating system) to identify the principal risks to which the Group is exposed. It manages the group's risks function and defines and/or validates national procedures prior to their presentation to decision-making bodies.

The Basel team adds to or updates the Basel 2 methodologies submitted for validation within dedicated working groups, which the regional groups participate in. The team specializing in credit risk is responsible for managing and back-testing models and calculating and monitoring parameters. The team dedicated to operational risk measures proven and potential risk, monitors the impact of risk reduction measures, draws up reports and analyses the principal risks.

Permanent control encompasses the permanent control function of the CNCM and the coordination of the regional groups' permanent controls on control programs.

Where Group governance is concerned, the Risks Department reports on its work to the executive body via the Group Risk Committee (CRG) and to the governing body via the Group Risk Monitoring Committee (CSRG). The Risks Department sends a dashboard of the main risks to which the Group is exposed to the Group Risk Committee and the Group Risk Monitoring Committee before meetings.

The Group Risk Committee meets four times a year to review the main risks to which the Group is exposed; these meetings are notably attended by the Chief Risk Officer and the Chief Executive Officer of the Caisse Fédérale de Crédit Mutuel.

The Group Risk Monitoring Committee assists the Board of Directors of the Caisse Fédérale de Crédit Mutuel in examining the risks to which the whole group is exposed. The Group Risk Monitoring Committee, whose members are appointed by the Board of Directors, meets at least twice annually to assess the quality of risks and to examine the quality of liabilities and any breaches of limits or alert thresholds.

IV.1.3 - Scope and nature of risk reporting and measurement systems

On the subjects of credit risk, interest-rate risk, market risk and operational risk, the Risks Department of the CNCM draws up reports to monitor and analyze the change in the Group's risk profile. For credit risk, the risk reporting and measurement system in place leans very heavily on Basel tools, interfaced with accounting.

IV.1.4 - Risk hedging and reduction policies, and policies and procedures put in place to better ensure their constant effectiveness

The risk hedging and reduction policy, as well as procedures put in place to better ensure their constant effectiveness, is the responsibility of the regional groups. Their consistency at the national level is strengthened by limit mechanisms, procedures, reports and control processes (permanent and periodic).

IV.1.5 - The Group's risk profile

The Crédit Mutuel Group is a mutual bank, solely owned by its members, which is not included in the list of global systemically important financial institutions (G-SIFIs)[1]. It predominantly operates in France and in neighboring European countries (Germany, Belgium, Luxembourg and Switzerland).

Retail banking is its core business, as demonstrated by the share of credit risk in its total capital requirements and the predominance of the Retail portfolio in all its exposures.

The Group's strategy is one of controlled, sustainable and profitable growth. Its financial solidity is strengthened by the regular retention of earnings. Its Common Equity Tier1 (CET1) capital ratio of 15,1 % (with transitional measures) places it among the safest European banks.

The Group's risk management process is designed to fit its risk profile and strategy and the appropriate risk management systems.

IV.2 - Application scope

Pursuant to the provisions of EU regulation 575/2013 of the European Parliament and Council relating to prudential requirements applicable to credit institutions and investment firms (the so-called "CRR"), the accounting and prudential scopes consist of the same entities and only the consolidation method changes.

For the Crédit Mutuel-CM11 Group, the consolidation method differs for entities in the insurance sector, the press division and securitization funds, which are consolidated by the equity method, regardless of the percentage of control.

The composition of the Crédit Mutuel-CM11 Group's prudential consolidation scope relative to its accounting scope at 31.12.2016 breaks down as follows :

Detailed table of the accounting/prudential scope reconciliation

	Country	Dec. 31, 2016			
		Percent control	Percent interest	Accounting method	Prudential method
A. Banking network					
Banque Européenne du Crédit Mutuel (BECM)	France	100	98	FC	FC
BECM Francfort (branch of BECM)	Germany	100	98	FC	FC
BECM Saint Martin (branch of BECM)	Saint Martin	100	98	FC	FC
Caisse Agricole du Crédit Mutuel	France	100	100	FC	FC
CIC Est	France	100	93	FC	FC
CIC Iberbanco	France	100	98	FC	FC
CIC Lyonnaise de Banque (LB)	France	100	93	FC	FC
CIC Nord Ouest	France	100	93	FC	FC
CIC Ouest	France	100	93	FC	FC
CIC Sud Ouest	France	100	93	FC	FC
Crédit Industriel et Commercial (CIC)	France	95	93	FC	FC
CIC Londres (branch of CIC)	United Kingdom	100	93	FC	FC
CIC New York (branch of CIC)	United States	100	93	FC	FC
CIC Singapour (branch of CIC)	Singapore	100	93	FC	FC
Targobank AG & Co. KGaA	Germany	100	98	FC	FC
Targobank Espagne	Spain	51	50	FC	FC
B. Banking network - subsidiaries					
Bancas	France	50	49	EM	PM
Banco Cofidis SA	Portugal			MER	MER
Banco Banif Mais SA Espagne (branch of Banco Cofidis SA)	Spain			NC	NC
Banco Popular Español	Spain	4	4	EM	EM
Banif Plus Bank	Hungary			MER	MER

[1] Indicators resulting from QIS dedicated to their identification are made public on the CM11 Group's institutional website in the document entitled "systemic indicators".

Banque de Tunisie	Tunisia	34	33	EM	EM
Banque du Groupe Casino	France	50	49	EM	PM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	98	FC	FC
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26	26	EM	EM
Caisse Centrale du Crédit Mutuel	France	53	53	EM	EM
Cartes et crédits à la consommation	France	100	98	FC	FC
CM-CIC Asset Management	France	90	91	FC	FC
CM-CIC Bail	France	100	94	FC	FC
CM-CIC Bail Espagne (branch of CM-CIC Bail)	Spain	100	94	FC	FC
CM-CIC Epargne salariale	France	100	93	FC	FC
CM-CIC Factor	France	95	92	FC	FC
CM-CIC Gestion	France	100	91	FC	FC
CM-CIC Home Loan SFH	France	100	98	FC	FC
CM-CIC Lease	France	100	96	FC	FC
CM-CIC Leasing Benelux	Belgium	100	94	FC	FC
CM-CIC Leasing GmbH	Germany	100	94	FC	FC
CM-CIC Leasing Solutions SAS	France	100	98	FC	FC
Cofacredit	France	64	63	FC	FC
Cofidis Belgique	Belgium	100	54	FC	FC
Cofidis France	France	100	54	FC	FC
Cofidis Espagne (branch of Cofidis France)	Spain	100	54	FC	FC
Cofidis Hongrie (branch of Cofidis France)	Hungary	100	54	FC	FC
Cofidis Portugal (branch of Cofidis France)	Portugal	100	54	FC	FC
Cofidis SA Pologne (branch ofCofidis France)	Poland	100	54	FC	FC
Cofidis SA Slovaquie (branch of Cofidis France)	Slovakia	100	54	FC	FC
Cofidis Italie	Italy	100	54	FC	FC
Cofidis République Tchèque	Czech Republic	100	54	FC	FC
Cofidis Slovaquie	Slovakia	100	54	FC	FC
Creatis	France	100	54	FC	FC
Factofrance	France	100	98	FC	FC
FCT CM-CIC Home loans	France	100	98	FC	EM
Fivory	France	89	87	FC	FC
Monabanq	France	100	54	FC	FC
SCI La Tréflière	France	100	99	FC	FC
Targo Commercial Finance AG	Germany	100	98	FC	FC
Targo Dienstleistungs GmbH	Germany	100	98	FC	FC
Targo Factoring GmbH	Germany	100	98	FC	FC
Targo Finanzberatung GmbH	Germany	100	98	FC	FC
Targo Leasing GmbH	Germany	100	98	FC	FC
C. Corporate banking and capital market				FC	FC
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	FC	FC
Cigogne Management	Luxembourg	100	95	FC	FC
CM-CIC Securities	France			FU	MER
Diversified Debt Securities SICAV - SIF	Luxembourg	100	93	FC	FC
Ventadour Investissement	France	100	98	FC	FC
D. Private banking					
Banque de Luxembourg	Luxembourg	100	93	FC	FC
Banque Pasche	Switzerland			NC	NC
Banque Transatlantique (BT)	France	100	93	FC	FC
Banque Transatlantique Belgium	Belgique	100	93	FC	FC
Banque Transatlantique Londres (branch of BT)	United Kingdom	100	93	FC	FC
Banque Transatlantique Luxembourg	Luxembourg	100	93	FC	FC
Banque Transatlantique Singapore Private Ltd	Singapour			NC	NC
CIC Suisse	Switzerland	100	93	FC	FC
Dubly-Douilhet Gestion	France	100	93	FC	FC
Transatlantique Gestion	France	100	93	FC	FC

E. Private equity					
CM-CIC Capital et Participations	France	100	93	FC	FC
CM-CIC Conseil	France	100	93	FC	FC
CM-CIC Innovation	France	100	93	FC	FC
CM-CIC Investissement	France	100	93	FC	FC
CM-CIC Investissement SCR	France	100	93	FC	FC
CM-CIC Proximité	France	100	93	FC	FC
Sudinnova	France			MER	MER
F. IT & Logistics and holding company					
Actimut	France	100	100	FC	FC
Adepi	France	100	93	FC	FC
CIC Participations	France	100	93	FC	FC
CM Akquisitions	Germany	100	98	FC	FC
CM-CIC Services	France	100	100	FC	FC
CMCP - Crédit Mutuel Cartes de Paiement	France	59	61	FC	FC
Cofidis Participations	France	55	54	FC	FC
Cofidis SGPS SA	Portugal			MER	MER
Euro Automatic Cash	Spain	50	40	EM	PM
Euro-Information	France	80	79	FC	FC
Euro-Information Développement	France	100	79	FC	FC
EIP	France	100	100	FC	FC
EI Telecom	France	95	75	FC	EM
Euro Protection Surveillance	France	100	84	FC	EM
Fivory SAS	France	83	66	FC	FC
Gesteurop	France	100	93	FC	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	FC	EM
Heller GmbH	Germany	100	98	FC	FC
L'Est Républicain	France	92	90	FC	EM
SAP Alsace	France	99	97	FC	EM
Société Civile de Gestion des Parts dans l'Alsace (SCGPA)	France	100	99	FC	FC
Société d'Investissements Médias (SIM)	France	100	98	FC	EM
Société de Presse Investissement (SPI)	France	100	98	FC	EM
Targo Akademie GmbH	Germany			MER	MER
Targo Deutschland GmbH	Germany	100	98	FC	FC
Targo IT Consulting GmbH	Germany	100	98	FC	FC
Targo IT Consulting GmbH Singapour (branch of Targo IT consulting GmbH)	Singapore	100	98	FC	FC
Targo Management AG	Germany	100	98	FC	FC
Targo Realty Services GmbH	Germany	100	98	FC	FC
G. Insurance companies					
ACM GIE	France	100	86	FC	EM
ACM IARD	France	96	83	FC	EM
ACM Nord IARD	France	49	42	EM	EM
ACM RE	Luxembourg	100	86	FC	EM
ACM Services	France	100	86	FC	EM
ACM Vie SA	France	100	86	FC	EM
ACM Vie, Société d'Assurance Mutuelle	France	100	100	FC	EM
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	82	FC	EM
Agrupación pensiones, entidad gestora de fondos de pensiones,S.A. (ex Agrupació Bankpyme Pensiones)	Spain	100	82	FC	EM
Agrupació serveis administratius	Spain	100	82	FC	EM
AMDIF	Spain	100	82	FC	EM
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	86	FC	EM
AMSYR	Spain	100	82	FC	EM
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	69	FC	EM
Asistencia Avançada Barcelona	Spain	100	82	FC	EM
ASTREE Assurances	Tunisia	30	26	EM	EM
Atlantis Asesores SL	Spain	80	69	FC	EM
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	52	FC	EM

Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	77	FC	EM
Atlantis, Compañía de Seguros y Reaseguros SA	Spain			MER	FU
GACM España	Spain	100	86	FC	EM
Groupe des Assurances du Crédit Mutuel (GACM)	France	88	86	FC	EM
ICM Life	Luxembourg	100	86	FC	EM
Immobilière ACM	France			NC	NC
Margem-Mediação Seguros, Lda	Portugal	100	54	FC	FC
MTRL	France	100	100	FC	EM
NELB (North Europe Life Belgium)	Belgium	49	42	EM	EM
Partners	Belgium	51	44	FC	EM
Procourtage	France	100	86	FC	EM
Royale Marocaine d'Assurance (formely RMA Watanya)	Morocco	22	19	EM	EM
Serenis Assurances	France	100	86	FC	EM
Serenis Vie	France			MER	MER
Voy Mediación	Spain	90	76	FC	EM
H. Other companies				FC	EM
Affiches d'Alsace Lorraine	France	100	98	FC	EM
Alsacienne de Portage des DNA	France	100	98	FC	EM
CM-CIC Immobilier	France	100	98	FC	IG
Distripub	France	100	97	FC	EM
Documents AP	France	100	98	FC	EM
Est Bourgogne Médias	France	100	98	FC	EM
Foncière Massena	France	100	86	FC	EM
France Régie	France	100	98	FC	EM
GEIE Synergie	France	100	54	FC	IG
Groupe Dauphiné Media	France	100	98	FC	EM
Groupe Progrès	France	100	98	FC	EM
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	98	FC	EM
Immocity	France			NC	NC
Jean Bozzi Communication	France	100	98	FC	EM
Journal de la Haute Marne	France	50	45	EM	EM
La Liberté de l'Est	France	97	88	FC	EM
La Tribune	France	100	98	FC	EM
Le Dauphiné Libéré	France	100	98	FC	EM
Le Républicain Lorrain	France	100	98	FC	EM
Les Dernières Nouvelles d'Alsace	France	100	98	FC	EM
Lumedia	Luxembourg	50	49	EM	EM
Mediaportage	France	100	97	FC	EM
Presse Diffusion	France	100	98	FC	EM
Publiprint Province n°1	France	100	98	FC	EM
Quanta	Germany	100	98	FC	FC
Républicain Lorrain Communication	France	100	98	FC	EM
Républicain Lorrain - TV news	France	100	98	FC	EM
SCI ACM	France	100	86	FC	EM
SCI Eurosic Cotentin	France			NC	NC
SCI Le Progrès Confluence	France	100	98	FC	EM
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	FC	EM

FC full consolidation

EM equity method

MER merged

NC not consolidated

PC proportional consolidation

IV.3 - Equity structure

Since January 1, 2014, prudential capital has been determined in accordance with part I of EU regulation 575/2013 of the European Parliament and Council of June 26, 2013 concerning prudential requirements applicable to credit institutions and investment firms, modifying EU regulation 648/2012 (the so-called "CRR"), rounded out by technical standards (delegated and EU execution regulations of the European Commission).

Shareholders' equity now consists of the sum of:

Tier 1 capital: comprising Common Equity Tier 1 (CET1) net of deductions and additional Tier 1 capital (AT1) net of deductions,

Tier 2 capital net of deductions.

IV.3.1 - Tier 1 capital

Common Equity Tier 1 (CET 1) consists of share capital instruments and the associated issuance premiums, reserves (including those on items of other comprehensive income) and non-distributed earnings. Payments must be totally flexible and the instruments must be perpetual.

Additional Tier 1 (AT1) capital consists of perpetual debt instruments without any redemption incentive or obligation (in particular step-up features). AT1 instruments are subject to a loss absorption mechanism triggered when the CET1 ratio is below a threshold that must be set at no lower than 5.125%. These instruments may be converted into shares or incur a reduction in their nominal value. Payments must be totally flexible: suspension of coupon payments is at the issuer's discretion.

Article 92, paragraph 1, of the CRR sets a minimum Common Equity Tier 1 ratio of 4.5% and a minimum Tier 1 ratio of 6%.

Common equity Tier 1 is determined based on the Group's reported shareholders' equity[2], calculated on the prudential scope, after applying prudential filters and a number of regulatory adjustments.

Prudential filters:

In the previous regulation, unrealized capital gains were filtered out of core capital in accordance with article 2bis of regulation 90-02 (currently being repealed) and, based on the principle of symmetry, the exposure value for the calculation of weighted risks, in particular the exposure value to equities, did not take them into account.

Despite the scheduled disappearance of unrealized capital gains and losses from prudential filters (Article 35 of the CRR), these filters and their symmetrical treatment at the level of exposures continue partially to be applied during the transitional phase, as follows:

The filters will be phased out gradually during the transitional phase, as follows:

- unrealized capital gains (excluding cash flow hedges) 40% excluded in 2016,
- capital losses: the SGACPR decided to bring forward the timing and to incorporate them fully as of 2014.

Moreover, since October 1, 2016 and in accordance with new provisions introduced by the ECB (EU regulation n°2016/445), unrealized capital gains and losses on sovereign securities are no longer exempt for major establishments and in 2016 are filtered up to 40%.

Unrealized capital gains and losses are offset on a portfolio by portfolio basis.

Differences between the income of affiliates recorded on an equity basis are spread between reserves and retained earnings, on the one hand, and the interim result, on the other hand, according to the capital categories in which they originate.

In contrast, 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, continue to be neutralized.

Other CET1 adjustments mainly concern:

2 See table: "Reconciliation of the financial balance sheet / regulatory balance sheet / shareholders' equity"

- dividend payment forecasts;
- deduction of goodwill on acquisitions and other intangible assets;
- the negative difference between provisions and expected losses, as well as on expected losses on equities;
- value adjustments due to prudential valuation requirements;
- deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated tax liabilities;
- losses or gains recorded by the Group on its liabilities recorded at fair value and linked to the change in its credit quality;
- fair value losses and gains on derivative instruments on the liability side of the Group's balance sheet and linked to the change in its credit quality;
- direct, indirect and synthetic holdings in the CET1 instruments of financial sector entities when these exceed a threshold of 10% of the CET1.

IV.3.2 - Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Early redemption incentives are prohibited.

The amount of "eligible capital" is more limited. This notion is used to calculate thresholds for major risks and non-financial stakes weighted at 1250%. It is the sum of:
- Tier 1 capital, and
- Tier 2 capital, capped at one-third of Tier 1 capital.

Common Equity Tier 1 (CET1) capital instruments

1	Issuer	CM11 - Caisse Fédérale de Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	969500LFTDNMONT2EP08
3	Governing law of the instrument	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and Article L. 512-1 of the French Monetary and Financial Code
	Regulatory treatment	
4	Transitional CRR rules	Common equity tier 1 capital
5	Post-transitional CRR rules	Common equity tier 1 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Solo and (sub-)consolidated
7	Instrument type (to be specified by each jurisdiction)	Type A shares - list published by the EBA (Article 26, paragraph 3 of the CRR)
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€192.55 m
9	Par value of instrument	€15
9a	Issue price	€15
9b	Redemption price	€15
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Variable
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No

20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger	By decision of the shareholders' meeting or, in case of resolution, by decision of the Resolution College of the Autorité de contrôle prudentiel et de résolution (French prudential supervision and resolution authority) pursuant to its powers under Article L. 613-31-16 of the French Monetary and Financial Code
32	If write-down, full or partial	Full or partial write-down
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks lower than all other claims
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A

N/A : non applicable

1	Issuer	CM11 - Caisse Fédérale de Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	969500LFTDNMONT2EP08
3	Governing law of the instrument	Law No. 47-1775 of September 10, 1947 on the constitution of cooperatives and Article L. 512-1 of the French Monetary and Financial Code
	Regulatory treatment	
4	Transitional CRR rules	Common equity tier 1 capital
5	Post-transitional CRR rules	Common equity tier 1 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Solo and (sub-)consolidated
7	Instrument type (to be specified by each jurisdiction)	Type B shares - list published by the EBA (Article 26, paragraph 3 of the CRR)
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€5,734.53 bn
9	Par value of instrument	€1
9a	Issue price	€1
9b	Redemption price	€1
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Variable
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A

16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger	By decision of the shareholders' meeting or, in case of resolution, by decision of the Resolution College of the Autorité de contrôle prudentiel et de résolution (French prudential supervision and resolution authority) pursuant to its powers under Article L. 613-31-16 of the French Monetary and Financial Code
32	If write-down, full or partial	Full or partial write-down
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks lower than all other claims
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A

N/A : non applicable

Additional Tier 1 (AT1) capital instruments

1	Issuer	Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0207764712
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	60% additional tier 1 capital 40% tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Deeply subordinated notes - Art. 52 et seq. of the CRR - Art. 484 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€737.40 m
9	Par value of instrument	€750.00 m
9a	Issue price	€750.00 m
9b	Redemption price	€750.00 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	12/15/2004
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue at issuer's discretion: on 12/15/2014 at par - Call for the entire issue in case of tax events ("tax call"): at any time at par - Call for the entire issue in case of downgrading of tier 1 capital: at any time at par - Call for the entire issue in case of issuer's deconsolidation from the CM11 Group: at any time at par
16	Subsequent call dates, if applicable	On each interest payment date after 12/15/2014, for the entire issue
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed to floating
18	Coupon rate and any related index	6% then, from 12/15/2005, EUR CMS10 + 0.10% with 8% cap
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary: "compulsory interest provisions" clause (dividend pusher)
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	Non-cumulative
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes

31	If write-down, write-down trigger	Event related to the supervisor both after a deterioration of the solvency ratio and at its full discretion, and if a capital increase was not authorized or was insufficient.
32	If write-down, full or partial	Full or partial write-down
33	If write-down, permanent or temporary	Temporary or permanent
34	If temporary write-down, description of write-up mechanism	Write-up of principal if return to financial health, i.e. consolidated net income recorded two years in a row after the end of the supervisor's intervention.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deeply subordinated instrument, i.e. subordinated to any non-voting loan stock and investments in non-consolidated companies, ordinary subordinated instruments and non-subordinated instruments.
36	Non-compliant features	Yes (but allowed in AT1 under the transitional regime)
37	If yes, specify non-compliant features	Features not compliant with additional tier 1 capital instruments: - partially discretionary: "compulsory interest provisions" clause (dividend pusher) - non-discretionary better fortunes clause
N/A : non applicable		

1	Issuer	Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0212581564
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	60% additional tier 1 capital 40% tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Deeply subordinated notes - Art. 52 et seq. of the CRR - Art. 484 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€250.00 m
9	Par value of instrument	€250.00 m
9a	Issue price	€250.00 m
9b	Redemption price	€250.00 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	02/25/2005
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue at issuer's discretion: 02/25/2015 at par - Call for the entire issue in case of tax events ("tax call"): at any time at par - Call for the entire issue in case of downgrading of tier 1 capital: at any time at par - Call for the entire issue in case of issuer's deconsolidation from the CM11 Group: at any time at par

16	Subsequent call dates, if applicable	On each interest payment date after 02/25/2015, for the entire issue
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed to floating
18	Coupon rate and any related index	7% then, from 02/25/2006, EUR CMS10 + 0.10% with 8% cap
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary: "compulsory interest provisions" clause (dividend pusher)
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	Non-cumulative
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger	Event related to the supervisor both after a deterioration of the solvency ratio and at its full discretion, and if a capital increase was not authorized or was insufficient.
32	If write-down, full or partial	Full or partial write-down
33	If write-down, permanent or temporary	Temporary or permanent
34	If temporary write-down, description of write-up mechanism	Write-up of principal if return to financial health, i.e. consolidated net income recorded two years in a row after the end of the supervisor's intervention.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deeply subordinated instrument, i.e. subordinated to any non-voting loan stock and investments in non-consolidated companies, ordinary subordinated instruments and non-subordinated instruments.
36	Non-compliant features	Yes (but allowed in AT1 under the transitional regime)
37	If yes, specify non-compliant features	Features not compliant with additional tier 1 capital instruments: - partially discretionary: "compulsory interest provisions" clause (dividend pusher) - non-discretionary better fortunes clause
N/A : non applicable		

1	Issuer	Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0393640346
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	Additional tier 1 capital
5	Post-transitional CRR rules	Ineligible
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Deeply subordinated notes - Art. 52 et seq. of the CRR - Art. 484 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€700.00 m
9	Par value of instrument	€700.00 m

9a	Issue price	€700.00 m
9b	Redemption price	€700.00 m unless call in case of tax events
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	10/17/2008
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue at issuer's discretion: 10/17/2018 at par - Call for the entire issue in case of tax events ("tax call"): at any time at make-whole if before 10/17/2018, at par if after - Call for the entire issue in case of downgrading of tier 1 capital: at any time at par - Call for the entire issue in case of issuer's deconsolidation from the CM11 Group: at any time at par
16	Subsequent call dates, if applicable	On each interest payment date after 10/17/2018, for the entire issue
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed to floating
18	Coupon rate and any related index	10.30% then, from 10/17/2018, Euribor 3M + 6.65%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary: "compulsory interest provisions" clause (dividend pusher)
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	Non-cumulative
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger	Event related to the supervisor both after a deterioration of the solvency ratio and at its full discretion, and if a capital increase was not authorized or was insufficient.
32	If write-down, full or partial	Full or partial write-down
33	If write-down, permanent or temporary	Temporary or permanent
34	If temporary write-down, description of write-up mechanism	Write-up of principal if return to financial health, i.e. consolidated net income recorded two years in a row after the end of the supervisor's intervention.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deeply subordinated instrument, i.e. subordinated to any non-voting loan stock and investments in non-consolidated companies, ordinary subordinated instruments and non-subordinated instruments.
36	Non-compliant features	Yes (but allowed in AT1 under the transitional regime)

37	If yes, specify non-compliant features	Features not compliant with additional tier 1 capital instruments: - partially discretionary: "compulsory interest provisions" clause (dividend pusher) - non-discretionary better fortunes clause - instrument acquired in full by a subsidiary of the issuer Features not compliant with tier 2 capital instruments: - instrument acquired in full by a subsidiary of the issuer
N/A : non applicable		

Tier 2 (T2) capital instruments

1	Issuer	1/ Crédit Industriel et Commercial
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000047805
3	Governing law of the instrument	French
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated and sub-consolidated
7	Instrument type (to be specified by each jurisdiction)	- Investments in non-consolidated companies - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€9.91 m
9	Par value of instrument	€137.20 m
9a	Issue price	€137.20 m
9b	Redemption price	€178.37 m if call exercised on 05/28/1997 then annual revaluation of 1.5% after 05/28/1997
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	05/28/1985
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Partial or full call at issuer's discretion: 05/28/1997 at 130% of par value
16	Subsequent call dates, if applicable	On each interest payment date after 05/28/1997
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	40% x annualized money market rate + 43% x annualized money market rate x (Income year N-1 / Income year 1984) with the following limits - minimum 85% (annualized money market rate + average bond yield)/2 - maximum 130% (annualized money market rate + average bond yield)/2.
19	Existence of a dividend stopper	No

20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	2/ Lyonnaise de Banque
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000047789
3	Governing law of the instrument	French
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated and sub-consolidated
7	Instrument type (to be specified by each jurisdiction)	- Investments in non-consolidated companies - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€14.34 m
9	Par value of instrument	€15.43 m
9a	Issue price	€15.43 m
9b	Redemption price	€20.60 m if call exercised on 06/01/1997 then annual revaluation of 1.5% after 06/01/1997
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	06/01/1985
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Partial or full call at issuer's discretion: 06/01/1997 at 130% of par value
16	Subsequent call dates, if applicable	On each interest payment date after 06/01/1997
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating

18	Coupon rate and any related index	35% x average bond yield + 35% x average bond yield x (Income year N-1 / Income year 1984) with the following limits - minimum 85% of average bond yield - maximum 130% average bond yield
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	3/ Crédit Industriel et Commercial
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000584377
3	Governing law of the instrument	French
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated and sub-consolidated
7	Instrument type (to be specified by each jurisdiction)	- Perpetual subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€18.96 m
9	Par value of instrument	€18.96 m
9a	Issue price	€18.96 m
9b	Redemption price	€19.15 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	07/20/1987
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Partial or full call at issuer's discretion: during a 45-day period from 07/20/1994 at 101% of par value + accrued interest
16	Subsequent call dates, if applicable	During a 45-day period from each interest payment date after 07/20/1994
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating

18	Coupon rate and any related index	12-month average yield on long-term government bonds + 0.25%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	Cumulative
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	4/ Crédit Industriel et Commercial
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000165847
3	Governing law of the instrument	French
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated and sub-consolidated
7	Instrument type (to be specified by each jurisdiction)	- Perpetual progressive interest subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€7.25 m
9	Par value of instrument	€7.25 m
9a	Issue price	€7.25 m
9b	Redemption price	€7.25 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	12/26/1990
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Partial or full call at issuer's discretion: on 12/26/1999 at par value
16	Subsequent call dates, if applicable	On each interest payment date after 12/26/1999
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	P1C + 1.75% for interest payable each year since 2006
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary

20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	Cumulative
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	5/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0011138742
3	Governing law of the instrument	French
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Redeemable subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€387.53 m
9	Par value of instrument	€1.00 bn
9a	Issue price	€1.00 bn
9b	Redemption price	€1.00 bn
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	12/06/2011
12	Perpetual or dated	Dated
13	Original maturity date	12/06/2018
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	0.053
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A

28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	6/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0548803757
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€742.56 m
9	Par value of instrument	€1.00 bn
9a	Issue price	€999.39 m
9b	Redemption price	€1.00 bn
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	10/22/2010
12	Perpetual or dated	Dated
13	Original maturity date	10/22/2020
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue in case of tax events: at any time at par
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	0,04
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A

34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	7/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1069549761
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€997.51 m
9	Par value of instrument	€1.00 bn
9a	Issue price	€991.43 m
9b	Redemption price	€1.00 bn
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	05/21/2014
12	Perpetual or dated	Dated
13	Original maturity date	05/21/2024
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue in case of tax events ("Withholding tax event" or "Tax deduction event"): at any time at par - Call for the entire issue in case of downgrading of tier 2 capital ("Capital Event"): at any time at par - Call for the entire issue in case of "Gross-Up Event": at any time at par
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	0.03
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	8/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1288858548
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€1.00 bn
9	Par value of instrument	€1.00 bn
9a	Issue price	€990.84 m
9b	Redemption price	€1.00 bn
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	09/11/2015
12	Perpetual or dated	Dated
13	Original maturity date	09/11/2025
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue in case of tax events ("Withholding tax event", "Tax deduction event" or "Tax gross-up event"): at any time at par - Call for the entire issue in case of downgrading of tier 2 capital ("Capital Event"): at any time at par
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	0.03
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors

36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	9/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1385945131
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€1.00 bn
9	Par value of instrument	€1.00 bn
9a	Issue price	€990.98 m
9b	Redemption price	€1.00 bn
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	03/24/2016
12	Perpetual or dated	Dated
13	Original maturity date	03/24/2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue in case of tax events ("Withholding tax event", "Tax deduction event" or "Tax gross-up event"): at any time at par - Call for the entire issue in case of downgrading of tier 2 capital ("Capital Event"): at any time at par
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.375%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

1	Issuer	10/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1512677003
3	Governing law of the instrument	English unless subordination
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Consolidated
7	Instrument type (to be specified by each jurisdiction)	- Subordinated notes - Art. 62 et seq. of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€700.00 m
9	Par value of instrument	€700.00 m
9a	Issue price	€695.09 m
9b	Redemption price	€700.00 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	11/04/2016
12	Perpetual or dated	Dated
13	Original maturity date	11/04/2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	- Call for the entire issue in case of tax events ("Withholding tax event", "Tax deduction event" or "Tax gross-up event"): at any time at par - Call for the entire issue in case of downgrading of tier 2 capital ("Capital Event"): at any time at par
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.875%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	If convertible, conversion trigger	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, instrument type convertible into	N/A
29	If convertible, issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A

N/A : non applicable

IV.3.3 - Reconciliation of the financial balance sheet/regulatory balance sheet/shareholders' equity

€ million	Accounting consolidation	Prudential consolidation	Variance *
Shareholders' equity			
Shareholders' equity attributable to the Group - excl. OCI			
Subscribed capital	5,941	5,941	-
Issue premiums	-	-	-
Consolidated reserves - Group	26,828	26,827	-1
Consolidated net income - Group	2,410	2,410	-
Shareholders' equity attributable to minority interests - excl. OCI			
Consolidated reserves - Minority interests	2,700	1,884	-816
Consolidated net income -Minority interests	214	130	-84
Unrealized gains or losses attributable to the Group	1,295	1,296	+1
of which equity instruments	877	879	
of which debt instruments	655	656	
of which cash flow hedges	- 32	- 32	
Unrealized gains or losses attributable to minority interests	199	44	-155
General banking risks reserve (solo entity under French standards)			
Balance sheet items included in the capital calculation			
intangibles assets	686	537	-149
Goodwill (including goodwill included in the value of investments in associates)	4,871	4,859	-12
Deferred taxes			
. Assets	1,293	812	-481
of which DTA on tax loss carryformards	6	13	+7
. Liabilities	1,268	483	-785
of which DTL on intangible assets (b)	52	52	-
Subordinated debt	6,710	7,514	+804

* The variances result from changes in consolidation method for certain entities referred to in the section on consolidation, mainly insurance sector entities

	Equity held in the ratio's numerator	CET1	AT1	AT2
	Capital attributable to owners of the company			
	Paid-in capital	5,927		
	(-) Indirect holdings in CET1 instruments	0		
	Share premiums	0		
(1)	Prior retained earnings	27,924		
	Gain or loss (attributable to owners of the company)	2,410		
	(-) Non-qualifying share of interim or year-end profits	-68		
(2)	**Capital - Non-controlling interests**			
	Qualifying non-controlling interests	1,177	0	0
(3)	**Accumulated other comprehensive income**	202		
	of which equity instruments	412		
	of which debt instruments	5		
	of which cash flow hedge reserve	-32		
	General banking risks reserve (solo entity under French standards)	0		
	Balance sheet items included in the capital calculation			
(4)	(-) Gross amount of other intangible assets including deferred tax liabilities on intangible ass	-486		
	(-) Goodwill in intangible assets	-4,859		
(5)	(-) Deferred tax assets that rely on future profits and do not arise from temporary differences net of related tax liabilities	-6		
	(-) Deductible deferred tax assets that rely on future profits and arise from temporary differe	0		
(6)	Subordinated debt			5,211
	(-) Securitization positions that may be weighted at 1.250%	-386		
	(-) Instruments of relevant entities where the institution does not have a significant investme	0	0	0
	(-) Instruments of relevant entities where the institution has a significant investment	0	0	0
	Other adjustments			
	Prudential filter: cash flow hedge reserve	32		
	Prudential filter: value adjustments due to requirements for prudent valuation	-53		
	Prudential filter: cumulative gains and losses on liabilities measured at fair value due to changes in own credit standing	0		
	Prudential filter: FV gains and losses arising from own credit risk related to derivative liabili	-4		
	Transitional adjustments due to grandfather clauses on capital instruments	0	1,299	55
	Transitional adjustments due to grandfathering clauses on additional non-controlling interests	335	0	46
	Transitional adjustments on gains and losses on capital instruments	-165		
	Transitional adjustments on gains and losses on debt instruments	-2		
	Other transitional adjustments	-34	0	91
	Under the internal ratings-based approach, negative difference between provisions and expected losses	-716		
	Under the internal ratings-based approach, positive difference between provisions and expected losses			96
	Credit risk adjustments (standardized approach)			237
	TOTAL	**31,227**	**1,299**	**5,737**

The differences between the prudential consolidation and equity held in the ratio's numerator are explained as follows:

(1) The variance reflects the treatment required by the SGACPR's notice on gains and losses recorded by associates (see point 3)

(2) A specific calculation is made for minority interests under the CRR

(3) The variance reflects the treatment required by the SGACPR's notice on gains and losses recorded by associates (see point 1)

(4) The amount of intangible assets deducted from capital includes the related deferred tax liabilities

(5) Deferred tax assets and liabilities are subject to specific treatment under the European Regulation

(6) Subordinated debt included in capital differs from the accounting due to items considered non-qualifying by the CRR, and to the calculation of a regulatory reduction over the last five years for fixed-term debt

		2016	Article Reference of EU Regulation No 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and related share premium accounts	**5,927,085**	26 (1), 27, 28, 29, ABE 26 (3) list	
	of which shares	*5,927,085*	ABE 26 (3) list	
	of which share premiums	*0*	ABE 26 (3) list	
2	Retained earnings	**27,923,766**	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	**202,027**	26 (1)	
3a	General banking risks reserve	**0**	26 (1) f	
4	Amount of qualifying items referred to in Art. 484 (3) and related share premium accounts subject to phase-out from CET1	**0**	486 (2)	
5	Non-controlling interests eligible for CET1	**1,176,602**	84, 479, 480	335,031
5a	Independently audited interim profits net of any foreseeable expense or dividend	**2,342,033**	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**37,571,513**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	**-52,573**	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	**-5,344,954**	36 (1) b, 37, 472 (4)	
9	Empty set in the EU			
10	Deferred tax assets that rely on future profits, excluding those arising from temporary differences (net of related tax liabilities when the conditions in Art. 38 (3) are met) (negative amount)	**-6,445**	36 (1) c, 38, 472 (5)	2,578
11	Fair value reserves related to gains and losses on cash flow hedges	**31,552**	33 a	
12	Negative amounts resulting from the calculation of expected losses	**-716,298**	36 (1) d, 40, 159, 472 (6)	
13	Any increase in equity resulting from securitized assets (negative amount)	**0**	32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**-4,231**	33 (1) b et c	
15	Defined benefit pension fund assets (negative amount)	**0**	36 (1) e, 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	**0**	36 (1) f, 41, 472 (8)	-
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	**0**	36 (1) g, 41, 472 (9)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	**0**	36 (1) h, 43, 45, 46, 49 (2) (3), 79, 472 (10)	-
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	**0**	36 (1) i, 43, 45, 47, 48 (1) b, 49 (1) à (3), 79, 472 (11)	-
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a risk weight of 1.250%, where the institution opts for the deduction alternative	**-386,030**	36 (1) k	
20b	*of which qualifying holdings outside the financial sector (negative amount)*	*0*	36 (1) k (i), 89 à 91	
20c	*of which securitization positions (negative amount)*	*-386,030*	36 (1) k (ii), 243 (1) b, 244 (1) b,258	

		2016	Article Reference of EU Regulation No 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
20d	*of which free deliveries (negative amount)*	*0*	36 (1) k (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liabilities when the conditions in Art. 38 (3) are met) (negative amount)	**0**	36 (1) c, 38, 48 (1) a, 470, 472 (5)	-
22	Amount exceeding the 15% threshold (negative amount)	**0**	48 (1)	-
23	*of which direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	*0*	36 (1) (i), 48 (1) b, 470, 472 (11)	-
24	Empty set in the EU			
25	*of which deferred tax assets arising from temporary differences*	*0*	36 (1) c, 38, 48 (1) a, 470, 472 (5)	-
25a	Losses for the current financial year (negative amount)	**0**	36 (1) a, 472 (3)	
25b	Foreseeable tax charge relating to CET1 items (negative amount)		36 (1) (i)	
26	Regulatory adjustments applied to Common Equity Tier 1 capital in respect of amounts subject to pre-CRR treatment	**337,609**		
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	**-202,860**		
	of which filter for unrealized loss on equity instruments	*0*	467	
	of which filter for unrealized loss on debt instruments	*-71,383*	467	
	of which filter for unrealized gain on equity instruments	*411,903*	468	
	of which filter for unrealized gain on debt instruments	*76,423*	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	**0**	481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	**0**	36 (1) (i)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital**	**-6,344,230**		
29	**Common Equity Tier 1 (CET 1) capital**	**31,227,282**		
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and related share premium accounts	**0**	51, 52	
31	*of which classified as equity under applicable accounting standards*			
32	*of which classified as liabilities under applicable accounting standards*	*0*		
33	Amount of qualifying items referred to in Art. 484 (4) and related share premium accounts subject to phase-out from AT1	**1,298,998**	486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including non-controlling interests not included in row 5) issued by subsidiaries and held by third parties	**11**	85, 86, 480	11
35	*of which instruments issued by subsidiaries subject to phase-out*		486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**1,299,008**		
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	**0**	52(1) b, 56 a, 57, 475 (2)	-
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	**0**	56 b, 58, 475 (3)	-
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	**0**	56 c, 59, 60, 79, 475 (4)	-

		2016	Article Reference of EU Regulation No 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
40	Direct, indirect and synthetic holdings by the institution of AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	**0**	56 (d), 59, 79, 475 (4)	-
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	0		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	0	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	**0**	477, 477 (3), 477 (4) a	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	**0**	467, 468, 481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	**0**	56 a	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**		
44	**Additional Tier 1 (AT1) capital**	**1,299,008**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**32,526,291**		
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and related share premium accounts	5,211,250	62, 63	
47	Amount of qualifying items referred to in Art. 484 (5) and related share premium accounts subject to phase-out from T2	55,217	486 (4)	
48	Qualifying capital instruments included in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in row 5) issued by subsidiaries and held by third parties	46,343	87,88, 480	46,343
49	*of which instruments issued by subsidiaries subject to phase-out*		486 (4)	
50	Credit risk adjustments	332,804	62 c et d	
51	**Additional Tier 1 (AT1) capital: regulatory adjustments**	**5,645,614**		
	Tier 2 (T2) capital: instruments and provisions			
52	Direct and indirect holdings by an institution of T2 own instruments and subordinated loans (negative amount)	**0**	63 b (i), 66 a, 67, 477 (2)	-
53	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	**0**	66 b, 68, 477 (3)	-
54	Direct holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities(amount above the threshold of 10% net of eligible short positions) (negative amount)	**0**	66 c, 69, 70, 79, 477 (4)	-
54a	*of which new holdings not subject to transitional arrangements*	*0*		-
54b	*of which holdings existing before January 1, 2013 and subject to transitional arrangements*	*0*		-
55	Direct holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	**0**	66 d, 69, 79, 477 (4)	-
56	Regulatory adjustments applied to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	**91,284**		

		2016	Article Reference of EU Regulation No 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	**0**	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	**0**	475, 475 (2) a, 475 (3), 475 (4) a	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	**91,284**	467, 468, 481	
Ajoût	*of which subsidies received by leasing companies*	*0*	481	
Ajoût	*of which unrealized gains on equity instruments reported as additional capital*	*91,284*	481	
Ajoût	*of which restatement for holding of capital instrument*	*0*	481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**91,284**		
58	**Tier 2 (T2) capital**	**5,736,899**		
59	**Total capital (TC = T1 + T2)**	**38,263,189**		
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013	**0**		
	of which items not deducted from CET1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, deferred tax assets that rely on future profits net of related tax liabilities, indirect holding of own CET1, etc.)	**0**	472 (8) b	
	of which items not deducted from AT1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, reciprocal cross holdings of AT1 capital instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	**0**	475, 475 (2) b, 475 (2) c, 475 (4) b	
	of which items not deducted from T2 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, etc.)	**0**	477, 477 (2) b, 477 (2) c, 477 (4) b	
60	**Total risk-weighted assets**	**207,129,223**		
	Capital ratios and buffers			
61	**Common Equity Tier 1 capital (as a percentage of total risk exposure amount)**	**15.08%**	92 (2) a, 465	
62	**Tier 1 capital (as a percentage of total risk exposure amount)**	**15.70%**	92 (2) b, 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**18.47%**	92 (2) c	
64	**Institution-specific buffer requirement (CET1 requirement in accordance with Art. 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount**	**0.628%**	CRD 128, 129, 130	
65	***of which capital conservation buffer requirement***	***0.625%***		
66	***of which countercyclical buffer requirement***	***0.003%***		
67	***of which systemic risk buffer requirement***	***0.000%***		
67a	***of which global systemically important institution (G-SII) or other systemically important institution (O-SII) buffer***	**0**	CRD 131	
68	**Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of risk exposure amount)**	**10.58%**	CRD 128	
69	[non-relevant in EU regulations]			
70	[non-relevant in EU regulations]			
71	[non-relevant in EU regulations]			
	Amounts below thresholds for deduction (before risk weighting)			

		2016	Article Reference of EU Regulation No 575/2013	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	407,261	36 (1) h, 45, 46, 472 (10), 56 c, 59, 60, 475 (4), 66 c, 69, 70, 477 (4)	
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	1,153,044	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liabilities when the conditions in Art. 38 (3) are met)	406,662	36 (1) c, 38, 48, 470, 472 (5)	
	Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	237,127	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	590,567	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	95,677	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	494,106	62	
	CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT (only applicable between January 1, 2014 and January 1, 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	0	484 (3), 486 (2) et (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) et (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	1,298,998	484 (4), 486 (3) et (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-388,399	484 (4), 486 (3) et (5)	
84	Current cap on T2 instruments subject to phase-out arrangements	55,217	484 (5), 486 (4) et (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-46,879	484 (5), 486 (4) et (5)	

IV.3.4 - Complementary surveillance of financial conglomerates

The Group is among the financial conglomerates supervised by the SGACPR.

The financial conglomerates activity is exercised through the Groupe des Assurances du Crédit Mutuel (GACM), a subsidiary of the Group.

This subsidiary sells a large range of life insurance, personal insurance and property and liability insurance, predominantly through the Crédit Mutuel Group's banking networks.

As an exemption to Articles 36 and 43 of the CRR regulation and in accordance with the provisions of Article 49 of this regulation, the SGACPR has authorized the Group not to deduct holdings in the capital instruments of insurance sector entities from its Common Equity Tier 1 and to adopt the so-called "weighted average exposure" method, which consists in weighting instruments held in the Group's insurance subsidiaries on the denominator of the capital ratio.

Accordingly, and pursuant to the decree of November 3, 2014, the Group is also subject to a supplementary capital adequacy requirement according to the so-called "accounting consolidation" terms under IFRS.

In this regard, insurance sector entities consolidated using the full consolidation method are also subject to prudential consolidation for the calculation of the supplementary requirement.

This supplementary surveillance has four parts within the scope of the conglomerate:

- the calculation of the supplementary capital adequacy requirement;
- the control of the concentration of risks by beneficiary;
- the control of intersectoral intra-group transactions accompanied by a detail of these transactions for those that exceed a certain threshold.

The first part relating to the calculation of the supplementary capital adequacy requirement makes it possible to perform an annual check on coverage of capital requirements relating to the banking sector and the insurance sector by the conglomerate's consolidated accounting capital, including regulatory adjustments and transitional provisions in the CRR regulation.

The minimum capital requirement for the conglomerate is 100% and is calculated as follows:

Conglomerate ratio = equity of the conglomerate / (banking requirements + insurances requirements)

At December 31, 2016, the Crédit Mutuel Group had a coverage ratio of its conglomerate's capital requirements of 200% after the integration of income net of estimated dividends.

The second part relating to control of the concentration of risks by beneficiary on a consolidated basis consists in reporting gross risks (aggregate exposure to a single beneficiary) exceeding 10% of the conglomerate's consolidated shareholders' equity or €300 million. A distinction is drawn between the banking and insurance sectors for each beneficiary.

The third and the fourth parts identify intra-group transactions between the banking sector and the insurance sector by category (refinancing, off-balance sheet and income).

IV.3.5 - Solvency ratios

The Group's solvency ratios at December 31, 2016, after the integration of income net of the estimated dividend pay-out, totaled:

€ billion	Dec. 31, 2016
COMMON EQUITY TIER1 (CET1) CAPITAL	31.2
Capital	5.9
Eligible reserves before adjustments	31.6
Deductions from Common Equity Tier 1 capital	-6.3
ADDITIONAL TIER 1 (AT1) CAPITAL	1.3
TIER 2 (T2) CAPITAL	5.7
TOTAL CAPITAL	38.3
Risk-weighted assets in respect of credit risk	187.5
Risk-weighted assets in respect of market risk	3.2
Risk-weighted assets in respect of operational risk	16.5
TOTAL RISK-WEIGHTED ASSETS	207.1
Solvency ratios	
Ratio Common Equity T1 (CET1)	15.1%
Tier 1 ratio	15.7%
Overall ratio	18.5%

IV.3.6 - Capital buffers applicable to the Crédit Mutuel-CM11 Group

In addition to the minimum CET1 capital, the Crédit Mutuel-CM11 Group must progressively comply, starting from January 1, 2016, with additional capital requirements, as follows:

- A conservation buffer which is mandatory for all banks: 0.625% as at December 31, 2016 rising to 2.5% of weighted risks (2019).
- A specific countercyclical capital buffer for each entity (capped at 0.625% in 2016), which is not material this year for the Crédit Mutuel-CM11 Group. The countercyclical buffer is designed to protect banks from excessive growth in credit (in particular from a deviation of the ratio of credit to gross domestic product); it is imposed at the discretion of the designated authority of each jurisdiction, applicable to all exposures that banks have in this jurisdiction. In France, the countercyclical buffer is set by the financial stability authority, the *Haut Conseil de Stabilité Financière* (HCSF). In principle, it ranges between 0 and 2.5% (or higher in certain circumstances).
- On December 30, 2016, the *Haut Conseil de Stabilité Financière* set this rate at 0% for France. It has acknowledged a rate of 1.5% set for Norway and Sweden.
- The countercyclical buffer specific to the Crédit Mutuel-CM11 Group is calculated as the weighted average of the countercyclical buffers applied in the countries that correspond to the Group's main credit exposures.

Countercyclical buffer amount applied to the bank

€ million

010	Total risk-weighted assets	207,129
020	Countercyclical buffer amount applied to the bank	0.0026%
030	Countercyclical buffer requirements applicable to the bank	5

Breakdown by country of the credit exposures to be used in calculating the countercyclical buffer		
(€ million)	Norway	Sweden
General credit exposures		
Value of risk exposures using the standard approach	11	62
Value of risk exposures using the IRB approach	406	728
Trading portfolio exposures		
Sum of the long and short positions in the trading portfolio		
Value of the trading portfolio exposures for the internal models		
Securitization exposures		
Value of risk exposures using the standard approach		
Value of risk exposures using the IRB approach	48	
Capital requirements		
o/w general credit exposures	14	10
o/w trading portfolio exposures		
o/w securitization exposures	0	
Total	14	10
Capital requirement weightings	0.10%	0.07%
Countercyclical capital buffer rate	1.50%	1.50%

IV.3.7 - Capital adequacy

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and apply stress scenarios to assess their capital requirements in the event of an economic downturn. This Pillar structures the dialogue between the Group and the ACPR concerning the level of capital adequacy applied by the institution.

The work carried out by the Group to bring it into compliance with Pillar 2 ties in with improvements to the credit risk measurement and monitoring system. In 2008, the Group rolled out its internal capital assessment framework as part of the Internal Capital Adequacy Assessment Process (ICAAP). The methods for measuring economic requirements have been further strengthened, while management and control procedures have been drawn up, also with a view to defining a framework for the risk policy. At the same time, various stress scenarios have been drawn up to add to the process for evaluating economic capital and its forecasts within the Group.

The latter is mainly conducted within the scope of credit risk, sector concentration, unit concentration, market risk, operational risk, reputational risk and risks relating to insurance activities.

The difference between the economic capital and the regulatory capital (which was added to by the counter-cyclical buffer from January 1, 2016) constitutes the margin making it possible to secure the Group's level of capital. This margin depends on the Group's risk profile and its degree of risk aversion.

€ million	**Dec. 31, 2016**
CAPITAL REQUIREMENTS IN RESPECT OF CREDIT RISK	**14,997**
Standardized approach	**3,899**
Governments or central banks	88
Regional governments or local authorities	73
Public sector entities	2
Multilateral development banks	
International organizations	
Credit institutions	34
Corporate	1,497
Retail customers	1,589
Exposures secured by a mortgaga on immovable property	308
Exposures in default	187
Exposures associated with particularly high risk	
Exposures in the form of covered bonds	1
items representing securitization positions	9
Exposures to institutions and corporates withe a short-term credit assessment	
Exposures in the foem of units or shares in collective investment undertakings (CIUs)	0
Equity exposures	17
Other	94
Internal ratings-based approach	**11,098**
Governments and central banks	
Credit institutions	478
Corporate	4,972
of wich specialized financing weighted by :	
50%	*11*
70%	*301*
90%	*113*
115%	*50*
250%	*17*
0%	
Retail customers	
Small and medium-sized entities	304
Exposures secured by immovable property collateral	1,153
Renewable exposures	70
Other	356
Equities	
Private equity (190% weighting)	285
Significant financial sector holdings (250% weighting)	230
Listed equities (290% weighting)	124
Other equities (370% weighting)	2,652
Securitization positions	55
Other no credit-obligation assets	414
Counterparty default risk	**5**
CAPITAL REQUIREMENTS IN RESPECT OF MARKET RISK	**189**
Position risk	189
Currency risk	
Settlement-delivery risk	0
Commodity risk	
CAPITAL REQUIREMENTS IN RESPECT OF OPERATING RISK	**1,320**
Internal ratings-based approach (IRBA)	965
Standardized approach	224
Foundation approach	131
CAPITAL REQUIREMENTS IN RESPECT OF THE CVA	**65**
CAPITAL REQUIREMENTS IN RESPECT OF MAJOR RISKS	
TOTAL CAPITAL REQUIREMENTS	**16,570**

IV.4 - Credit and concentration risk

IV.4.1 - Exposures by category

Historically, Crédit Mutuel's priority has been to develop a customer base of private individuals. CIC, which was originally geared more toward the corporates market, has gradually gained strength in the personal banking segment. However, it continues to serve corporates.

The composition of the Group's portfolio clearly reflects these principles, as evidenced by the fact that the share of retail customers held steady at 46% in 2016.

€ billion	Exposures at 12/31/2016			Exposures at 12/31/2015			Average exposures 2016
	IRB	Standard	Total	IRB	Standard	Total	
Governments and central banks	0.0	103.9	103.9		92.1	92.1	104.2
Credit institutions	40.3	8.4	48.6	49.2	8.4	57.6	56.4
Corporate	108.0	45.6	153.6	99.8	19.5	119.3	138.2
Retail customers	229.3	47.9	277.1	219.1	43.5	262.6	270.5
Equities	12.5	0.2	12.7	12.0	0.4	12.4	12.7
Securitization	5.3	0.2	5.5	5.1	0.2	5.3	5.5
Other non-credit obligation assets	5.5	1.2	6.6	4.9	0.8	5.7	6.1
TOTAL	**400.8**	**207.3**	**608.1**	**390.1**	**165.0**	**555.1**	**593.6**

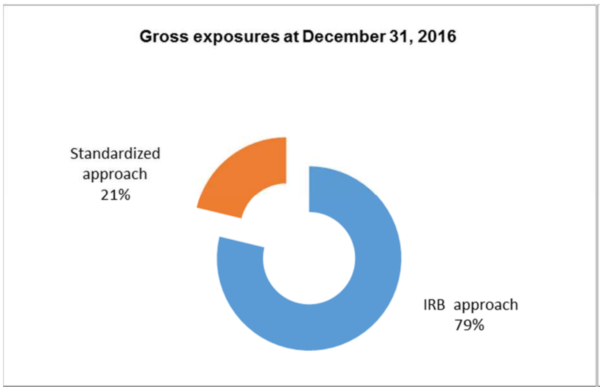
The Group has focused on the advanced forms of the Basel accord, beginning with its core business, retail banking.

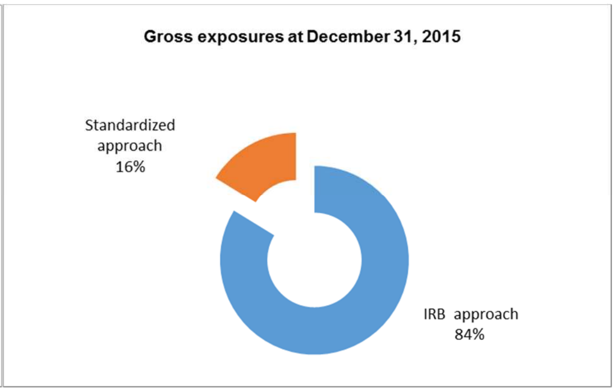
The ACPR has authorized it to use its internal ratings system to calculate its regulatory capital adequacy requirements in respect of credit risk:

- using the advanced method, as from June 30, 2008, for the retail customer portfolio;
- using the advanced method, as from June 30December 31, 2008, for the [Group's][the "Bank" is not defined] portfolio;
- using the advanced method, as from June 30, 2008December 31, 2012, for the Corporate portfolio and [the Group's][the "Bank" is not defined] portfolio;

In the case of the regulatory credit institution, corporate and retail customer portfolios, the Group was authorized to use advanced internal methods in respect of 79% of the exposures at December 31, 2016.

Capital adequacy requirements for the Government and Central Bank portfolios are evaluated on a long-term basis using the standard method as approved by the ACPR's General Secretariat. The standardized method was applied in the case of Cofidis Group, CM-CIC Factor's foreign subsidiaries and Factofrance group as at December 31, 2016.





IV.4.2 - Exposures by region

Breakdown of exposures by category and country of residence (as %) 2016

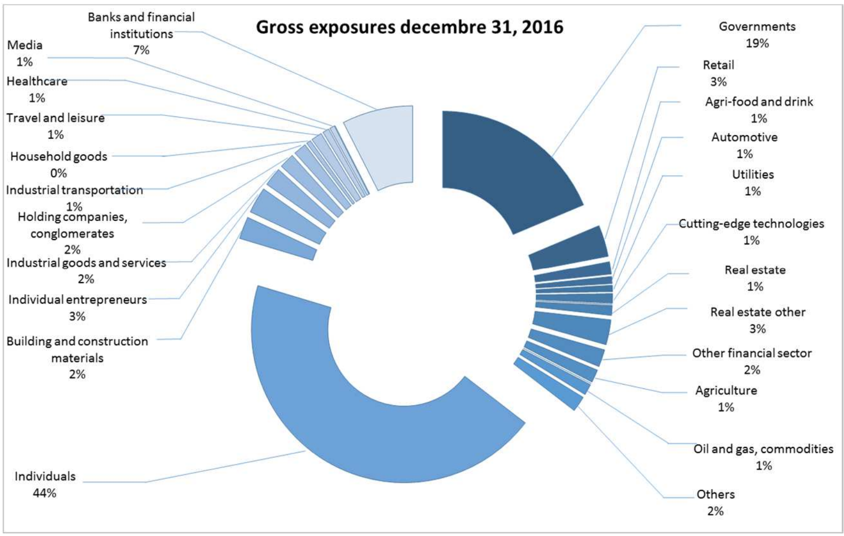
Exposure category	France	Germany	Luxembourg	Other EEA member countries	Rest of the world	Total at Dec. 31,2016
Governments and central banks	15.0%	0.9%	0.4%	0.7%	1.3%	18.2%
Credit institutions	5.6%	0.2%	0.0%	0.7%	0.4%	6.9%
Corporate	16.9%	2.9%	0.5%	2.4%	3.1%	25.8%
Retail customers	42.9%	3.1%	0.1%	1.4%	1.6%	49.1%
TOTAL (%)	**80.3%**	**7.1%**	**1.1%**	**5.3% ***	**6.3%**	**100%**

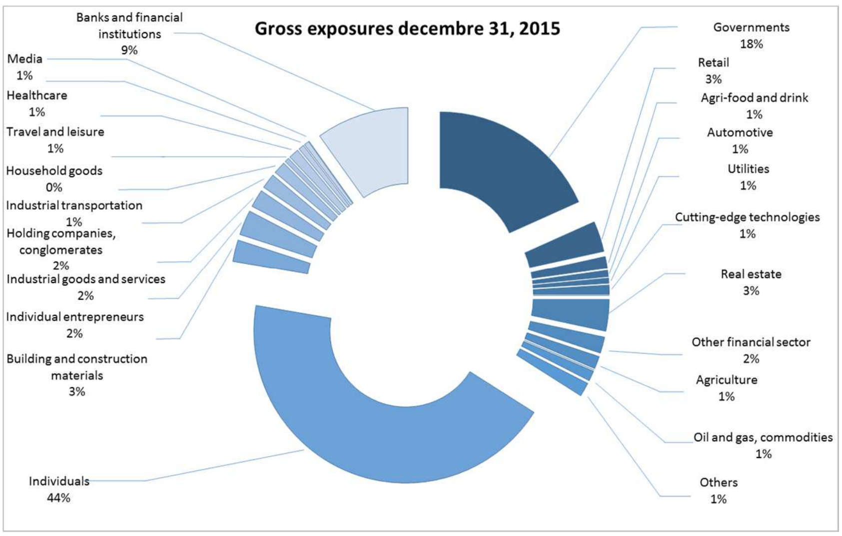
** Exposures on UK residents represented 0.9% of the group's total exposures*

The Crédit Mutuel Group is primarily a French and European player. The geographic breakdown of gross exposures at December 31, 2016 reflects this as 93.7% of its commitments are in the European Economic Area.

IV.4.3 - Exposures by sector

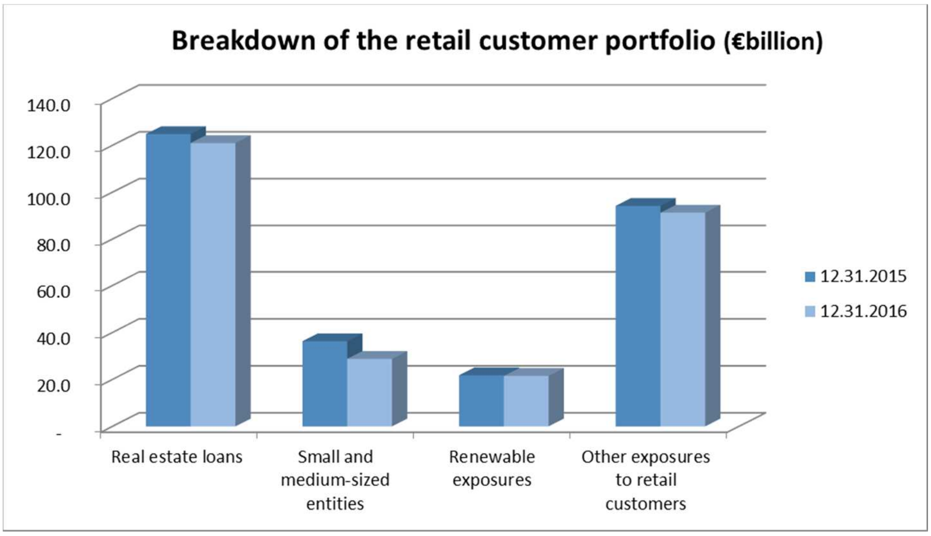
The below sector breakdown reflects loans to governments and central banks, institutions, corporates and retail customers.





IV.4.4 - Breakdown of the retail customer portfolio

Outstanding loans to retail customers totaled €277 billion at December 31, 2016, up 6% compared with 2015. The breakdown of this portfolio by regulatory sub-category is illustrated in the chart below.



IV.4.5 - Breakdown by residual maturity

BALANCE SHEET - category of gross exposure	Governments and central banks	Credit institutions	Corporate	Retail customers	Total Balance sheet
< 1 month	62,520	4,323	20,110	16,048	**103,001**
1 month <D< 3 months	2,725	6,192	11,466	7,269	**27,651**
3 months <D< 1 year	5,675	2,275	7,534	22,116	**37,600**
1 year <D< 2 years	3,625	7,624	6,960	22,244	**40,454**
2 years <D< 5 years	5,723	10,591	21,584	55,417	**93,316**
D > 5 years	20,942	5,242	18,651	118,309	**163,144**
Perpetual	314	85	62	142	**603**
Total 12.31.2016	**101,525**	**36,332**	**86,367**	**241,545**	**465,769**

OFF BALANCE SHEET - category of gross exposure	Governments and central banks	Credit institutions	Corporate	Retail customers	Total Off balance sheet
< 1 month	103	643	21,441	19,362	**41,548**
1 month <D< 3 months	8	89	2,349	2,268	**4,714**
3 months <D< 1 year	14	192	5,316	2,316	**7,837**
1 year <D< 2 years	34	181	5,029	2,847	**8,091**
2 years <D< 5 years	431	380	17,185	752	**18,747**
D > 5 years	371	483	1,991	6,967	**9,813**
Perpetual	5	401	6,356	1,137	**7,898**
Total 12.31.2016	**965**	**2,368**	**59,667**	**35,648**	**98,648**

IV.4.6 - Adjustment for credit risk

The accounting definitions of past due and impaired loans, the description of the approaches and methods applied to determine adjustments for general and specific credit risk and the detail of provisions and reversals in 2016 are presented in the notes to the financial statements published in the Group's annual report. The customer cost of risk was broadly stable over the period (the trend was identical according to the parameters used in the internal rating approach to measure expected losses).

The tables below break down outstanding non-performing and litigious loans and the corresponding provisions at December 31, 2016 according to their Basel methodological treatment. The Group also has the means in its IT systems to identify restructured loans in its portfolios of performing and non-performing loans, defined using the principles set out by the EBA on October 23, 2013.

Breakdown of loans treated using the internal approach	**as of Dec. 31, 2016**				
€ billion	**Gross exposures**	**EAD**	**Defaulted EAD**	**Provisions as of Dec. 31, 2016**	**Provisions as of Dec. 31, 2015**
Governments and central banks					
Credit institutions	40.3	39.3	0.0	0.0	0.0
Corporate	108.0	87.3	2.1	0.9	0.8
Retail customers	229.3	214.7	5.5	2.6	2.7
Exposures secured by a mortgage on immovable property	*121.3*	*119.7*	*2.6*	*0.8*	*0.9*
Revolving	*13.6*	*7.7*	*0.1*	*0.1*	*0.1*
Small and medium-sized entities	*27.5*	*24.5*	*1.9*	*1.1*	*0.6*
Other	*66.9*	*62.7*	*0.9*	*0.5*	*1.2*
Equities	12.5	12.5	N/A	0.0	0.0
Securitization positions	5.3	5.3	N/A	0.0	0.0
Assets other than credit obligations	5.5	5.5	N/A	0.0	0.0

The provisions listed in this table correspond to provisions for non-performing loans (individual provisions). Information about collective provisions is provided in the annual report.

Breakdown of loans treated using the standard approach	**as of Dec. 31, 2016**				
€ billion	**Gross exposures**	**EAD**	**Defaulted EAD**	**Provisions as of Dec. 31, 2016**	**Provisions as of Dec. 31, 2015**
Governments and central banks	103.9	102.3	0.0	0.0	0.0
Credit institutions	8.4	7.0	0.0	0.0	0.0
Corporate	45.6	24.5	0.6	0.3	0.2
Retail customers	47.9	32.3	1.3	4.3	4.2
Equities	0.2	0.2	N/A	0.0	0.0
Securitization positions	0.2	0.1	N/A	0.0	0.0
Assets other than credit obligations	1.2	1.2	N/A	0.0	0.0

The provisions listed in this table correspond to provisions for non-performing loans (individual provisions). Information about collective provisions is provided in the annual report.

IV.4.7 - Exposures in default by region

Percentage breakdown at Dec. 31, 2016 of gross exposures in default

Exposure category	**France**	**Germany**	**Luxembourg**	**Other EEA member countries**	**Rest of the world**	**Total as Dec. 31, 2016**
Governments and central banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit institutiond	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Corporate	16.7%	0.4%	0.7%	1.3%	2.1%	21.3%
Retail customers	55.7%	11.3%	0.1%	6.7%	4.8%	78.6%
TOTAL (%)	**72.5%**	**11.7%**	**0.8%**	**8.0%**	**7.0%**	**100%**

IV.5 - Standardized approach

IV.5.1 - Exposures under the standardized approach

€ billion	As of Dec. 31, 2016	
Exposures under the standardized approach	**Gross exposure**	**EAD**
Governments and central banks	103.9	102.3
Credit institutions	8.4	7.0
of wich, local and regional authorities	*4.9*	*4.6*
Corporate	45.6	24.5
Retail customers	47.9	32.3
Equities	0.2	0.2
Securitization positions	0.2	0.1
Assets other than credit obligations	1.2	1.2
TOTAL	**207.3**	**167.7**

IV.5.2 - Use of external credit rating agencies

The Group uses assessments by rating agencies to measure the sovereign risk of exposures on governments and central banks. The cross-reference table used to link the credit quality steps to the external ratings taken into consideration is that defined in the regulations.

€ billion	*Weighted at :*						
GROSS EXPOSURE	**0%**	**20%**	**50%**	**100%**	**150%**	**250%**	**Total as of Dec. 31, 2016**
Governments and central banks	103.2	0.3	0.0	0.1	0.0	0.4	**103.9**
Local and regional authorities	0.0	4.9		0.0	0.0		**4.9**
VALUE EXPOSED TO RISK BEFORE MITIGATION	**0%**	**20%**	**50%**	**100%**	**150%**	**250%**	**Total as of Dec. 31, 2016**
Governments and central banks	101.6	0.3	0.0	0.0	0.0	0.4	**102.3**
Local and regional authorities	0.0	4.6		0.0	0.0		**4.6**

Exposure to governments and central banks is weighted almost exclusively at 0%. The capital requirements associated with this portfolio reflect a limited sovereign risk for the Group with good-quality counterparties.

IV.6 - Rating system

IV.6.1 - Rating system description and control

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 rating approaches.

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 in work on data quality and application acceptance testing. The rating system for the Crédit Mutuel Group's counterparties is used across the entire Group.

Counterparties eligible for internal processes are rated by a single system based on:

- statistical algorithms or "mass ratings", based on one or more models, factoring in a selection of representative and predictive variables concerning the risk for the following segments:
    - Private individuals;

- Retail entities;
- Real estate trusts;
- Sole traders;
- Farmers;
- Non-profit organizations;
- Enterprises /Corporate;
- Corporate acquisition financing.

▪ rating grids prepared by experts for the following segments:
  - Banks and covered bonds;
  - Key accounts;
  - Financing of large corporate acquisitions;
  - Real estate companies;
  - Insurance companies.

These models (algorithms or grids) aim to ensure proper risk assessment and rating. The scale of values reflects risk progressivity and is divided into 11 positions, including nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D-, E+) and two default positions (E- and F).

A unified definition of default based on Basel and accounting requirements

A unified definition of default has been introduced for the entire Crédit Mutuel 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 information systems take contagion into account, thereby allowing related loans to be downgraded. Controls carried out by the Internal Inspection unit and the Statutory Auditors aim to ensure the reliability of the arrangements for identifying defaults used for calculating capital requirements.

Formalized monitoring framework for the internal rating system

The quality of the internal ratings system is monitored based on national procedures that detail the topics reviewed, the disclosure thresholds and the responsibilities of the participants. These documents are updated by the Risk Department from CNCM as required in accordance with the decisions that have been approved.

Reporting on the monitoring of mass rating models involves three main areas of study: stability, performance and various additional analyses. It is carried out for each mass rating model on a quarterly basis and supplemented with half-year and annual controls and monitoring work, for which the levels of detail are higher.

Regarding expert grids, the system includes a complete annual review based on performance tests (analysis of rating concentrations, transition matrices and consistency with the external rating system), supplemented for large accounts and the equivalent by an interim review on a twice-yearly basis.

The parameters used for calculating weighted risks are national and applied for all Group entities. Default probabilities are monitored annually before any new estimates of the regulatory parameter. Depending on the portfolios, this is supplemented with interim monitoring on a half-yearly basis. The approach for monitoring the LGD and CCF is annual and intended primarily to validate the values taken by these parameters for each segment. In the case of loss given default, this validation is carried out mainly by checking the robustness of the methods for calculating the prudential margins and by comparing the LGD estimators with the latest data and actual results. For the CCF, validations are carried out by comparing the estimators with the most recent CCF observed.

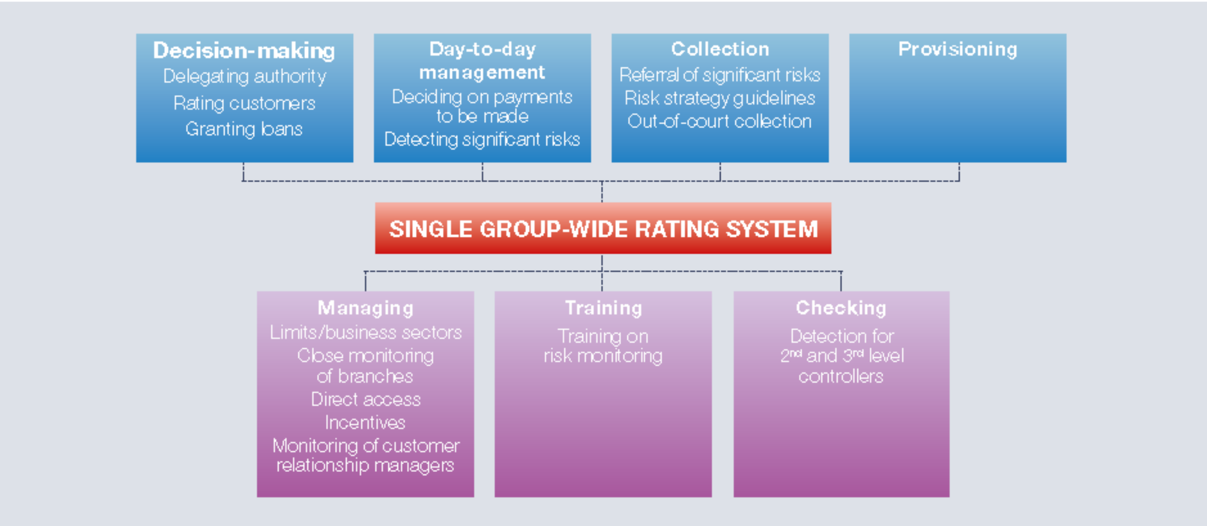
Internal rating system included within the scope of permanent and periodic control

The Group’s permanent Basel II control plan comprises two levels. On the one hand, at the national level, permanent control is involved in validating new models and significant adjustments made to existing models. On the other hand, there is a permanent monitoring of the internal rating system (particularly the parameters). At regional level, it verifies the overall adoption of the internal rating system, as well as operational aspects linked to the production and calculation of ratings, the credit risk management procedures relating directly to the internal rating system, and data quality.

In terms of periodic control, the Group's audit unit carries out an annual review of the internal ratings 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 responsibilities between the regional and national audit units.

Operational integration of the internal rating system

The regional groups implement the national Basel procedures under specific conditions (composition of committees, risk management procedures, etc.). In accordance with the regulations, the Basel framework is put in place in the Group's various entities at all levels within the credit management function, as illustrated in the following diagram concerning the use of ratings:



The overall consistency of the arrangements is buoyed by the following:

- national governance for the internal rating system;
- distribution of national procedures by CNCM ;
- exchanges of practices between the entities (during plenary meetings or bilateral CNCM/group or inter-group exchanges);
- adoption of two IT systems by virtually all the entities, structuring the Group's organization (same approach for applications nationally, with a possibility of common applications being used on a federation-wide basis);
- national reporting tools;
- audits carried out by permanent control and confederal inspection.

These applications and assignments are intended to ensure regulatory compliance and a high level of convergence in terms of practices using the internal rating system. The methodological guidelines, the progress made with the arrangements and the main consequences of the reform are regularly presented to all the Crédit Mutuel federations, as well as the subsidiaries and CIC banks.

IV.6.2 - Breakdown of risk exposure values based on an advanced internal rating approach by category and internal rating (excluding defaulted exposures)

Institutions and companies

€ million as of Dec. 31, 2016	Credit quality	Cotation	Gross exposure	Of which, off-balance sheet	Exposure at Default EAD	Risk Weighed Assets (RWA)	Risk Weight (RW) %	Expected Loss (EL)
Credit institutions	1	A+	2,403	0	2,403	263	10.9	0
	2	A-	21,611	332	21,373	301	1.4	0
	3	B+	6,371	794	5,981	995	16.6	0
	4	B-	6,301	155	6,184	2,404	38.9	0
	5	C+	2,109	231	1,996	608	30.5	0
	6	C-	604	253	515	266	51.7	0
	7	D+	367	66	328	395	120.3	0
	8	D-	467	47	444	703	158.4	0
	9	E+	41	14	32	45	143.6	0
Corporates - Large accounts	1	A+						
	2	A-	1,427	1,143	752	137	18.3	0
	3	B+	6,217	3,548	4,371	1,113	25.5	0
	4	B-	9,069	6,146	6,105	2,025	33.2	0
	5	C+	19,899	12,877	12,848	7,414	57.7	0
	6	C-	8,038	3,858	5,811	5,156	88.7	0
	7	D+	5,115	2,319	3,968	4,447	112.1	0
	8	D-	4,721	1,688	3,837	5,513	143.7	0
	9	E+	683	222	567	1,316	232.1	0
Corporates - Excl. large accounts	1	A+	5,248	1,166	4,603	1,334	29.0	4
	2	A-	12,412	1,970	11,361	3,443	30.3	12
	3	B+	5,343	721	4,973	2,029	40.8	11
	4	B-	5,706	801	5,274	2,641	50.1	19
	5	C+	5,450	907	4,996	2,925	58.5	27
	6	C-	5,069	632	4,782	3,569	74.6	44
	7	D+	1,997	259	1,865	1,430	76.7	28
	8	D-	785	133	703	688	97.8	20
	9	E+	446	77	392	440	112.3	24
Corporates under the IRB slotting approach			8,222	1,013	7,989	6,158	77.1	55

Individual retail customers

€ million as of Dec. 31, 2016	Credit quality	Cotation	Gross exposure	Of which, off-balance sheet	Exposure at Default EAD	Risk Weighed Assets (RWA)	Risk Weight (RW) %	Expected Loss (EL)
Exposures secured by real estate	1	A+	17,499	470	17,227	205	1.2	1
	2	A-	22,203	527	21,899	509	2.3	2
	3	B+	14,723	332	14,531	643	4.4	3
	4	B-	13,030	249	12,886	947	7.3	5
	5	C+	8,896	173	8,796	1,154	13.1	8
	6	C-	3,741	68	3,702	857	23.2	8
	7	D+	3,646	186	3,538	1,184	33.5	14
	8	D-	2,650	33	2,631	1,257	47.8	20
	9	E+	1,326	9	1,320	959	72.6	32
Revolving	1	A+	1,593	1,281	570	5	0.9	0
	2	A-	3,994	2,398	2,078	34	1.6	1
	3	B+	2,080	1,146	1,165	38	3.3	1
	4	B-	2,023	1,022	1,207	77	6.4	2
	5	C+	1,287	583	821	102	12.5	2
	6	C-	926	380	623	136	21.8	4
	7	D+	560	215	389	129	33.1	4
	8	D-	379	116	286	149	52.3	7
	9	E+	187	39	156	138	88.5	10
Other	1	A+	16,303	1,575	15,582	192	1.2	1
	2	A-	16,075	1,820	15,256	366	2.4	1
	3	B+	8,842	1,233	8,288	400	4.8	2
	4	B-	6,763	967	6,352	502	7.9	3
	5	C+	4,237	594	3,985	514	12.9	4
	6	C-	2,131	377	1,975	396	20.0	6
	7	D+	4,360	1,549	3,531	879	24.9	32
	8	D-	1,083	149	1,029	260	25.3	11
	9	E+	507	44	492	198	40.3	17

Retail - Others								
€ million as of Dec. 31, 2016	Credit quality	Cotation	Gross exposure	Of which, off-balance sheet	Exposure at Default EAD	Risk Weighed Assets (RWA)	Risk Weight (RW) %	Expected Loss (EL)
Exposures secured by real estate	1	A+	7,501	158	7,411	456	6.2	3
	2	A-	9,100	166	9,007	948	10.5	7
	3	B+	3,494	77	3,451	607	17.6	6
	4	B-	3,825	114	3,761	950	25.3	11
	5	C+	2,511	69	2,473	807	32.6	11
	6	C-	1,653	37	1,633	747	45.7	14
	7	D+	1,422	32	1,404	787	56.0	19
	8	D-	646	9	641	434	67.7	15
	9	E+	795	6	792	589	74.4	33
Revolving	1	A+	172	105	88	3	3.0	0
	2	A-	85	46	48	4	7.7	0
	3	B+	46	23	28	4	14.5	0
	4	B-	38	18	23	5	20.8	0
	5	C+	28	13	18	5	28.2	0
	6	C-	23	9	15	6	39.4	0
	7	D+	22	9	15	8	52.6	0
	8	D-	13	4	9	7	75.1	0
	9	E+	10	3	8	8	99.1	1
SME	1	A+	6,888	1,451	5,931	441	7.4	3
	2	A-	5,446	961	4,834	572	11.8	6
	3	B+	2,708	453	2,420	395	16.3	6
	4	B-	3,124	552	2,783	522	18.7	11
	5	C+	2,096	328	1,899	386	20.3	12
	6	C-	2,075	364	1,854	416	22.4	23
	7	D+	1,553	242	1,404	345	24.6	24
	8	D-	883	117	809	253	31.3	26
	9	E+	729	75	681	265	38.9	40
Other	1	A+	2,118	195	2,011	111	5.5	1
	2	A-	1,476	136	1,401	139	9.9	1
	3	B+	548	56	518	79	15.2	1
	4	B-	573	115	509	90	17.7	1
	5	C+	407	92	355	71	19.9	1
	6	C-	262	60	229	52	22.8	2
	7	D+	207	29	191	47	24.4	2
	8	D-	74	6	71	22	31.1	2
	9	E+	89	5	86	35	40.4	4

RWA refers to the risk weighted assets and EL the expected losses. Exposures at 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. As a result, comparisons between ELs and losses are not relevant for a given year.

IV.7 - Credit risk mitigation techniques

IV.7.1 - Netting and collateralization of repos and over-the-counter derivatives

When a framework agreement is entered into with a counterparty, the signatory entity nets the latter's exposure. With credit institution counterparties, Crédit Mutuel supplements these agreements with collateralization agreements (CSA).

The operational management of these agreements is based on the TriOptima platform.

Regular margin calls significantly reduce the residual net credit risk on over-the-counter derivatives and repos.

IV.7.2 - Description of the main categories of collateral taken into account by the institution

The Group uses guarantees in different ways when calculating weighted risks, depending on the type of borrower, the calculation method applied for the exposure covered and the type of guarantee.

For retail banking customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss given default, calculated statistically on all the Group’s non-performing loans and loans in litigation.

For contracts concerning the “Sovereign” and “Institution” portfolios and, to some degree, the “Corporate” portfolio, personal collateral and financial collateral are used as risk mitigation techniques, as defined by the regulations:

- Personal collateral corresponds to a commitment made by a third party to take the place of the primary debtor if the latter defaults. By extension, credit derivatives (purchase of protection) are included in this category.

- Financial collateral is defined by the Group as a right for the institution to liquidate, retain or obtain the transfer of ownership of certain amounts or assets, such as pledged cash deposits, debt securities, equities or convertible bonds, gold, UCITS units, life insurance policies and instruments of all kinds issued by a third party and redeemable on request.

Use of the guarantee is only effective if the guarantee meets the legal and operational criterias laid down by the regulations. Operational procedures describe the features of the guarantees used, the eligibility conditions, the operating principles and the resolution of alerts triggered in the event of non-compliance. Downstream processing to calculate weighted risks taking into account risk mitigation techniques is largely automated.

IV.7.3 - Procedures applied for valuing and managing instruments that constitute physical collateral

The valuation procedures for guarantees vary depending on the type of instrument comprising the physical collateral. Generally speaking, research carried out within the Group is based on statistical estimation methodologies, integrated directly into the applications, using external indices with potential discounts applied depending on the type of asset accepted as collateral. On an exceptional basis, specific procedures include expert valuations, particularly in cases where the limits set for outstandings are exceeded.

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

IV.7.4 - Main categories of protection providers

With the exception of intra-group guarantees, the main categories of protection providers taken into account are mutual guarantee companies such as Crédit Logement.

IV.8 - Securitization

IV.8.1 - Objectives

In connection with its capital markets activities, the Group carries out operations on the securitization market by taking up investment positions with three objectives: achieving returns, taking risks and diversifying. The risks primarily concern credit risk on the underlying assets and liquidity risk, particularly with the changes in the European Central Bank's eligibility criteria.

The activity is exclusively an investor activity with senior or mezzanine tranches, which always have external ratings.

For specialized financing facilities, the Group supports its customers as a sponsor (arranger or co-arranger) or sometimes as an investor with the securitization of commercial loans. The conduit used is General Funding Ltd (GFL), which subscribes for the senior units in the securitization vehicle and issues commercial paper. 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 transferred loans and to the risk of the capital markets drying up.

Irrespective of the business context, the Group is not an originator and may only marginally be considered as a sponsor. It does not invest in re-securitizations.

IV.8.2 - Control and monitoring procedures for capital markets activities

Market risks on securitization positions are monitored by the risk and results control function, focusing on various areas, with day-to-day procedures making it possible to monitor changes in market risks. The CRR analyzes changes in the results of securitization strategies each day and explains them in relation to the risk factors. It monitors compliance with the limits defined in the set of rules.

The Group also observes the credit quality of the securitization tranches on a daily basis by monitoring the ratings set by the external credit rating agencies Standard & Poor's, Moody's and Fitch Ratings. The actions taken by these agencies (upgrades, downgrades or watches) are analyzed. In addition, a quarterly summary of rating changes is drawn up.

In connection with the procedure for managing counterparty limits, the following work is carried out: in-depth analysis of securitizations that have reached the level of delegation for Group commitments, analysis of certain sensitive securitizations (from the eurozone's peripheral countries or subject to significant downgrades). More specifically, these analyses are intended to assess the position's level of credit and the underlying asset's performances.

In addition, each securitization tranche, irrespective of the delegation level, is covered by a form. These forms incorporate the main characteristics of the tranche held, as well as the structure and the underlying portfolio. For securitizations issued from January 1, 2011, information on the underlying asset's performances has been added. This information is updated once a month. The branches' pre-sale documentation and the issue prospectuses are also recorded and made available with the forms, in addition to the investor reports for securitizations issued from January 1, 2011.

Lastly, the capital markets activities have an application for measuring the impact of various scenarios on the positions (notably changes in prepayments, defaults and recovery rates).

IV.8.3 - Credit risk hedging policies

The credit markets activities traditionally buy securities. Nevertheless, purchases of credit default swaps for hedging may be authorized and, as applicable, are governed by the capital markets procedures.

IV.8.4 - Prudential approaches and methods

The entities included within the scope for approval of the credit risk internal rating approach apply the method based on the ratings. Otherwise, the standardized approach is retained.

IV.8.5 - 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 presented in Note 1 to the financial statements.

IV.8.6 - Exposure by type of securitization

Securitization by type (2016)

	2016			
EAD (€ billion)	**Banking portfolio**		**Trading portfolio**	**Correlation portfolio**
Credit quality	Standadized approach	Internal ratings based-approach	Internal ratings based-approach	Internal ratings based-approach
Investor				
Traditional securitization	0.2	5.7	0.9	
Synthetic securitization				0.9
Traditional resecuritization				
Synthetic resecuritization				
Sponsor		0.0		
Total	**0.2**	**5.7**	**0.9**	**0.9**

Detail of outstanding amounts by level of credit quality (2016)

EAD (€ billion)	Banking portfolio		Trading portfolio	Correlation portfolio
Credit quality	Standadized approach	Internal ratings based-approach	Internal ratings based-approach	Internal ratings based-approach
E1	0.1	4.2	0.9	
E2		0.8	0.0	
E3		0.0		
E4		0.0		
E5		0.0	0.0	
E6	0.1	0.0		
E7		0.1	0.0	
E8		0.2		
E9		0.0		
E10	0.0	0.0		
E11		0.0	0.0	
Positions weighted at 1250%	0.0	0.4	0.0	
Total	**0.2**	**5.7**	**0.9**	**0.9 ***

* the securitization of the correlation portfolio is calculated using the method of the regulatory formula and can not therefore be entered by credit quality step

	2016			
Capital requirement (€ million)	**Banking portfolio**		**Trading portfolio**	**Correlation portfolio**
	Standadized approach	Internal ratings based-approach	Internal ratings based-approach	Internal ratings based-approach
Total	**8.5**	**54.8**	**11.6**	**12.4**

Exposures using the Internal Ratings method weighted at 1,250% are deducted from capital.

IV.9 - Equities

value exposed to risk (€ billion)	**Dec. 31,2016**
Equities	**12.7**
Internal ratings-based approach	**12.5**
Private equity (190%)	1.9
Significant holding in the financial sector (weighted at 250%)	1.2
Exposures to listed equities (290%)	0.5
Other equity exposures	9.0
Standardized approach	**0.2**
Of wich, private equity (150%)	
Equity investments deducted from capital	**-**
Total unrealized gains and losses included in capital	**0.3**
including unrealized capital gains included in Tier 2 capital	0.1

IV.10 - Trading desk counterparty risk

Counterparty risk concerns derivative instruments and repo transactions in the banking and trading portfolios, which are principally lodged in CM-CIC Marchés.

Within this framework, netting and collateral agreements have been set up with the main counterparties, limiting the counterparty risk exposure levels.

Capital adequacy requirements as at December 31, 2016 are principally measured using the IRB approach.

Counterparty risk	Value exposed to risk	
€ billion	12/31/2016	12/31/2015
Derivatives	5.3	5.1
Repurchase agreements *	7.5	6.5
Total	12.7	11.6

* for securities received under repurchase agreements, the value exposed to risk corresponds to the fully-adjusted value

IV.11 - Banking portfolio interest-rate risk

Information relating to the assessment of capital requirements in terms of interest-rate risk on the banking portfolio are presented in the "Risk Management" section.

IV.12 - Market risks

These risks are calculated on the trading portfolio. In the majority of cases, they result from the CM-CIC Marchés activities for interest rate and equities risks.

The counterparty risks for derivatives and repo transactions are covered in the "counterparty risks" section.

The elements relating to the assessment of capital requirements in terms of market risk are presented in the "Risk Management" section.

€ million

CAPITAL REQUIREMENTS IN RESPECT OF MARKET RISK	Dec. 31, 2016	Dec. 31, 2015
Specific interest-rate risk (excl. securitization and correlation portfolios)	80	71
Specific interest-rate risk - securitization and correlation portfolios	24	32
General interest-rate risk	20	111
Equity risk	64	103
Currency risk	0	0
Commodity risk	0	0
TOTAL CAPITAL REQUIREMENTS	189	317

IV.13 - Operational risk

The elements relating to the structure and organization of the function responsible for the management of operational risk are presented in the "Risk Management" section.

This report also satisfies the disclosure requirements in terms of the policy and arrangements put in place on the one hand, and on the other, the type of systems for declaring and measuring risks.

IV.13.1 - Description of the advanced measurement approach (AMA)

In connection with the implementation of the advanced measurement approach (AMA) for assessing capital requirements in terms of operational risks, these risks are managed by a dedicated independent function. The operational risk control and measurement procedure is based on the risk mapping carried out for each business line and each type of risk, liaising closely with the functional departments and the day-to-day risk management measures. More specifically, these define a standard framework for analyzing the loss experience and lead to modeling based on expert opinions compared with scenario-based probabilistic estimates.

For modeling purposes, the Group relies mainly on the national database of internal losses. This application is populated in line with the national collection procedure, which sets a standard limit of €1,000 above which each loss must be entered and which defines the framework for reconciliations between the loss base and the accounting information.

In addition, the Group has a subscription to an external database which is used in line with procedures, as well as the methodologies for integrating this data into the operational risk measurement and analysis system.

The Group's general steering and reporting system integrates the requirements of the decree of November 3, 2014 relating to internal control. The executive body is informed of operational risk exposures and losses on a regular basis and at least once a year.

The Group’s procedures relating to governance, loss data collection, risk measurement and management systems enable it to take appropriate remedial action. These procedures are subject to regular controls.

IV.13.2 - Authorized scope for AMA method

The Group is authorized to use its advanced measurement approach to calculate its capital adequacy requirements in respect of operational risk, with the exception of the deduction of expected losses from its capital adequacy requirements. This authorization came into effect on January 1, 2010 for the consolidated Group excluding foreign subsidiaries and the Cofidis Group, and was extended to:

- CM-CIC Factor as of January 1, 2012;
- Banque de Luxembourg as of September 30, 2013;
- Cofidis France as of July 1, 2014.

IV.13.3 - Operational risk mitigation and hedging policy

Operational risk mitigation techniques include:

- preventive actions identified during the mapping process and implemented directly by operational staff;
- safeguard initiatives, which focus on the widespread implementation of disaster recovery plans.

The disaster recovery plans can be split into three components:

- emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;
- business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures;
- back-on-track plan.

A long-term national procedure sets out the methodology for drawing up a disaster recovery plan. This constitutes a reference document that may be consulted by all the teams concerned by disaster recovery plans. It is applied by all the regional groups.

IV.13.4 - Use of insurance techniques

The ACPR has authorized the Group to take into account the deduction of insurance as a factor for reducing capital requirements in respect of operational risk under the advanced measurement approach with effective application as from the period ended June 30, 2012.

The principles applied for financing operational risks within the Group depend on the frequency and severity of each potential risk, and involve:

- setting up insurance cover or financing by withholding amounts on the operating account for non-severe frequency risks (expected loss);
- taking out insurance for insurable serious or major risks;
- developing self-insurance for losses below insurers’ excess levels;
- allocating reserves of regulatory capital or provisions financed through underlying assets for serious risks that cannot be insured.

The Group's insurance programs comply with the provisions of Articles 323 of EU regulation 575/2013 of the European Parliament and Council of June 26, 2013 concerning the deduction of insurance under the advanced method approach (AMA).

The insurance included in the deduction process covers damage to real and personal property (multi-risk), specific banking risks and fraud, as well as professional third-party liability.

IV.14 - Information about encumbered and unencumbered assets

Since December 31, 2014, and pursuant to Article 100 of the CRR, the Crédit Mutuel Group reports to the competent authorities the quantity of unencumbered assets at its disposal and their principal characteristics. These assets may serve as sureties to obtain other financing on the secondary markets or from the central bank, and hence constitute additional sources of liquidity.

An asset is considered to be "encumbered" if it serves as a guarantee, or can be used contractually, to secure, collateralize or enhance a transaction from which it cannot be separated. In contrast, an asset is "unencumbered" if it is free of any legal, regulatory, contractual or other limitations to its possible liquidation, sale, transmission or disposal.

For illustrative purposes, the following types of contracts satisfy the definition of encumbered assets:

- secured financial transactions, including repo contracts, securities lending and other forms of loans,
- collateralization agreements,
- collateralized financial guarantees,
- collateral placed in clearing systems, clearing houses and other institutions as a condition for accessing the service. This includes initial margins and funds against the risk of insolvency,
- facilities given to central banks. Assets already in position should not be considered encumbered, unless the central bank does not authorize the withdrawal of these assets without its prior agreement.
- assets underlying securitization entities when these assets have not been derecognized by the entity. Assets underlying retained securities should not be considered encumbered, unless these securities are used to pledge or guarantee a transaction in some way.
- baskets of sureties put together to issue secured bonds. These assets are recognized as encumbered assets except in certain situations where the entity holds these secured bonds (self-issued bonds).

Assets placed in financing mechanisms that are unused and can easily be withdrawn are not considered to be encumbered.

At 12/31/2016, the amount and characteristics of encumbered and unencumbered bonds for the Group broke down as follows:

Table A - Assets (€ thousands)

Reporting institution's assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Reporting institution's assets	85,223,349		440,642,030	
Capital instruments	34,151	34,151	4,592,168	4,592,168
Debt securities	9,862,031	10,033,474	40,410,115	40,600,789
Other assets	75,220,021		395,639,747	

Guarantees received	Fair value of the encumbered counter-guarantee received or of encumbered own debt securities issued	Fair value of the counter-guarantee received or of own debt securities issued available to be encumbered
Guarantees received by the institution	10,460,202	8,305,577
Capital instruments	1,345,412	418,083
Debt securities	9,114,790	3,617,789
Other guarantees received	-	4,187,911
Own debt securities issued, other than own guaranteed bonds or own asset-backed securities	-	-

Encumbered assets/guarantees received and related liabilities	Corresponding liabilities, contingent liabilities or securities loaned	Assets, counter-guarantees received and own debt securities issued other than covered bonds and securities backed by encumbered assets
Carrying amount of selected financial liabilities	**72,268,416**	**95,683,551**

IV.15 - Description of procedures used to manage the risk of excessive leverage

The procedures to manage the risk of excessive leverage have been validated by the CNCM's Board of Directors and center on the following points:

- the leverage ratio is one of the key solvency indicators and leverage ratio monitoring is incorporated into the CNCM's and the regional groups' Risk Committee files;
- an internal limit has been set at the national level and for each Crédit Mutuel Group;
- a special procedure has been established for any breaches of the limit set by the supervisory body. This procedure involves the executive management of the Group concerned as well as the Boards of Directors of the Group and the CNCM and it applies to all Crédit Mutuel Group.

Reconciliation of consolidated accounting assets and exposures used in the leverage ratio

€ million		Exposure at Dec. 31, 2016
1	**Consolidated assets as published in the financial statements**	**609,756**
2	**Adjustments on entities consolidated for accounting purposes** but outside the regulatory scope	**- 83,891**
4	Adjustments on derivatives	**- 8,008**
5	Adjustments on securities financing transactions (SFTs)	**- 1,255**
6	Adjustments on off-balance sheet items (conversion of off-balance sheet items to credit equivalents)	**35,692**
EU-6a	(Adjustments on intra-group exposures excluded from the calculation of the leverage ratio, in accordance with Article 429.7 of the CRR)	-
EU-6b	(Adjustments on exposures excluded from the calculation of the leverage ratio, in accordance with Article 429.14 of the CRR) – CDC debt	-
7	Other adjustments	**- 5,778**
8	**Total leverage ratio exposure**	**546,516**

Presentation of the main components of the leverage ratio		
€ million		Exposure at Dec. 31, 2016
Balance sheet (excluding derivatives and securities financing transactions)		
1	**Balance sheet items** (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	496,639
2	**(Assets deducted** to determine Tier 1)	- 716
3	**Total balance sheet exposure** (excluding derivatives, securities financing transactions and fiduciary assets) - sum of lines 1 and 2	**495,922**
Derivatives		
4	**Replacement cost** associated with all derivatives (i.e. net of eligible margin calls received)	1,893
5	**Add-on** for potential future exposures associated with derivatives (market price valuation method)	2,513
7	**(Deductions of margin calls in cash** paid under derivatives transactions**)**	- 4,911
9	**Adjusted effective notional amount of written credit derivatives**	5,896
10	**(Adjusted effective notional offsets and add-on deductions for written credit derivatives)**	- 4,181
11	**Total derivative exposures** - sum of lines 4 to 10	**1,209**
Securities financing transaction exposures		
12	**Gross SFT assets** (with no recognition of netting), after adjusting for sale accounting transactions	12,755
14	**Counterparty credit risk exposure** for SFT assets	938
16	**Total securities financing transaction exposures** - sum of lines 12 to 15a	**13,693**
Other off-balance sheet exposures		
17	**Off-balance sheet exposures** at gross notional amount	98,917
18	(**Adjustments** to credit risk equivalent amounts)	- 63,225
19	**Other off-balance sheet exposures** - sum of lines 17 to 18	**35,692**
Exempted exposures pursuant to Articles 429.7 and 429.14 of the CRR (on-balance sheet and off-balance sheet)		
EU-19a	(**Exemption of intra-group exposures** (individual basis) pursuant to Article 429.7 of the CRR [on-balance sheet and off-balance sheet])	-
EU-19b	(**Exemption of exposures** pursuant to Article 429.14 of the CRR [on-balance sheet and off-balance sheet]	-
Equity and total exposure		
20	**Tier 1**	**32,526**
21	**Total exposures - sum of lines 3, 11, 16, 19, EU-19a and EU-19b**	**546,516**
Leverage ratio		
22	**Leverage ratio**	**6.0%**
Choice of transitional arrangements and amounts of derecognized fiduciary items		
EU-23	**Choice of transitional arrangements for defining capital measurement**	**YES**

Breakdown of exposures taken into account for the leverage ratio		
€ million		**Exposure at Dec. 31, 2016**
EU-1	**Total balance sheet exposures*, of which:**	**491,728**
EU-2	**Trading book exposures**	**9,500**
EU-3	**Banking book exposures, of which:**	**482,227**
EU-4	Guaranteed bonds	3,946
EU-5	Exposures treated as sovereign exposure	101,848
EU-6	Exposures on regional governments, multilateral development banks, international organizations and public-sector entities not treated as sovereign exposure	4,417
EU-7	Credit institutions	28,134
EU-8	Exposures secured by a mortgage on immovable property	131,492
EU-9	Retail exposures	111,086
EU-10	Corporate exposures	70,995
EU-11	Exposures in default	5,760
EU-12	Other exposures (equities, securitizations and other assets not related to credit exposures)	24,550

** excluding derivatives, securities financing transactions and exempted exposures.*

IV.16 – Regulatory liquidity ratios

Since March 2014, credit institutions in the euro zone have been required to report their liquidity levels to their supervisory body as defined by the EBA (European Banking Authority), which takes into account:

- the short-term liquidity ratio, or LCR (Liquidity Coverage Ratio), on a monthly basis, and
- the long-term structural liquidity ratio, or NSFR (Net Stable Funding Ratio), on a quarterly basis.

The LCR is designed to ensure the resilience of banks' liquidity risk profile in the short term by requiring that they maintain sufficient high-quality unencumbered liquid assets (HQLA) that can be easily and immediately converted to cash on private markets in the event of a liquidity crisis lasting up to 30 calendar days.

At December 31, 2016, the Crédit Mutuel-CM11 Group had an LCR of 140.3%, which is well above the regulatory level of 70% for 2016.

The NSFR is designed to encourage banks to maintain a permanent structure of stable resources which will enable them to continue their activity over a period of one year in the event of protracted internal pressure.

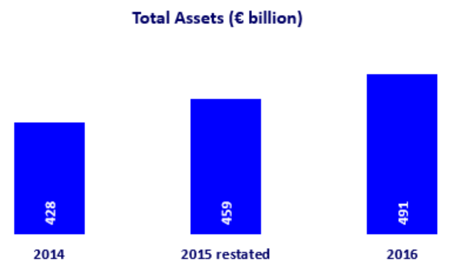
Certain weightings are still under discussion at the present time and the ratio has not yet been fully defined in European regulations; the regulatory framework is to be finalized in 2018. Based on current regulations and from what we have seen, the Crédit Mutuel-CM11 Group already complies with the NSFR.

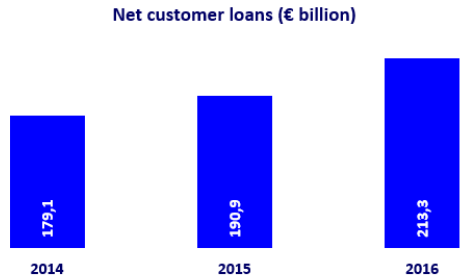
V. FINANCIAL INFORMATION about BFCM GROUP

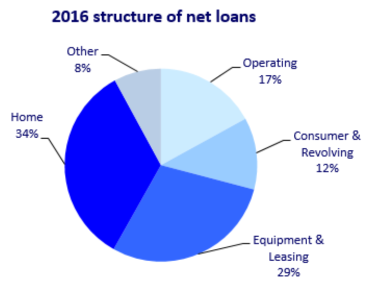
V.1 - BFCM Group's key figures

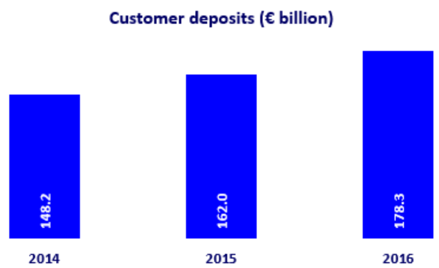
€ million	2016	2015 restated	2014
Net banking income	**9,830**	9,239	8,456
Operating income	**3,295**	3,085	2,458
Net income	**1,943**	1,875	1,701
Net income attributable to the group	**1,655**	1,541	1,384
Cost-to-income ratio[1]	**58.9%**	59.1%	62.1%

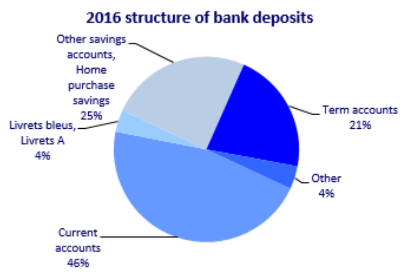
(1) Ratio of overheads to net banking income

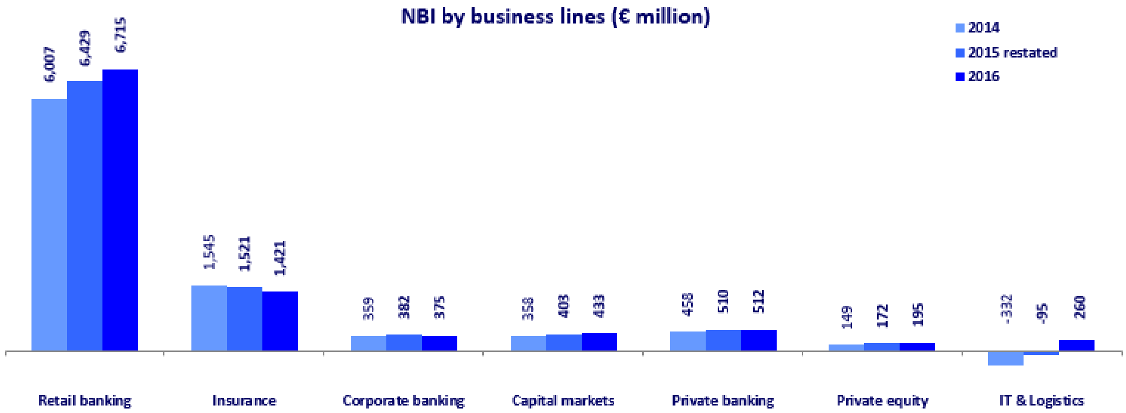












V.2 – BFCM Group management report

V.2.1 – Financial review, key financial points relating to the consolidated financial statements, BFCM Group activity and results

V.2.1.1 – Financial review of 2016

Global growth remained moderate in 2016, impacted by persistent difficulties affecting the emerging countries while the developed countries continued to benefit from the low oil price and very low interest rates. Donald Trump's election as the president of the United States and the rise in the oil price throughout the year have changed the situation and paved the way for further more pronounced differences in 2017. This is already evident in the area of monetary policy, with the Fed hardening its stance on the one hand, and a resolutely accommodative stance by the other main central banks on the other.

Fears rekindled at the start of the year

Already in early January, the rapid drop in the yuan and Chinese foreign exchange reserves coupled with a weak US manufacturing sector sparked fears about global growth. This led to a fall in the financial markets and a tumble in oil prices which hit a low of $27 (WTI – West Texas Intermediate) in mid-February. The specter of deflation thus arrived on the horizon, underpinned by the monetary policy drives of the central banks, with the Fed taking a prudent approach, the ECB implementing decisive policies and the Bank of Japan opting for creative measures. In March, the ECB announced new measures, including a further cut in its key interest rates, an increase in its monthly asset purchases to €80 billion, the inclusion of corporate bonds issued by non-financial companies, and a new long-term lending program for banks.

In the second quarter, global growth proved more resilient than expected, notably with a rebound in activity in China. The Chinese authorities showed that they could continue to control growth via traditional economic stimulus measures, in particular the use of bank lending and measures to support the property sector. The activity slowdown in the euro zone bottomed out thanks to an acceleration of investment which offset the downturn in consumption and external trade. Nevertheless, uncertainty prevailed with regard to the Brexit referendum, prompting prudence both in the US and Asia. As a consequence, the Fed was able to justify maintaining an accommodative monetary policy while Japan encountered difficulties because of the appreciation of its currency, with investors looking to the yen as a safe haven.

Brexit focused everyone's attention

From June 23rd, all eyes turned to Europe and the victory of the “leave” vote in the UK’s Brexit referendum, raising challenges not only for the UK but for the entire European project. Although economic growth in these two regions did not suffer – yet – political uncertainty was evident and penalized investment, pointing to potential difficulties in 2017. This political tension was compounded by difficulties in Italy concerning its banking system, which raised questions about European Union rules under which a state cannot rescue a bank directly. Meanwhile, the US economy remained strong and the Fed began to prepare for a normalization of its monetary policy. The emerging countries also showed positive trends, notably Brazil and Russia which at last started to bounce back thanks to the rebound in the oil price, while the OPEC countries reached an agreement in Algiers at the end of September on limiting their production.

The US presidential election at end-2016 revitalized the markets

The fourth quarter was dominated by the surprise election of Donald Trump as president of the United States on November 8th. All asset classes were impacted by this event, which notably rekindled inflationary anticipations and underpinned US bond yields (and in a knock-on effect those of the rest of the world) and the dollar. The equity markets for their part reached record highs, bolstered by investor optimism and having mainly priced in a “soft Trump” scenario (reduction in taxes and fiscal stimulus with no protectionist measures). Europe also benefited from this revived appetite for risk, although growth did not manage to take off as consumption and investment continued to be negatively impacted by high levels of uncertainty.

The second key event in the fourth quarter was the OPEC agreement to reduce oil production from early 2017. This sparked a fresh rise in the oil price, underpinning the main oil-producing emerging countries (Russia and Brazil in particular). For Europe and China, however, this posed a risk as the higher oil price would weigh on household purchasing power.

In France, activity responded to the global environment in 2016 but with a slight lag

At the start of the year the French economy benefited from the positive global environment (low commodity prices and low interest rates), showing a sharp acceleration thanks to strong household consumption and a continued rebound in investment. However, this acceleration was subsequently hampered by uncertainty around global growth and the rebound of the euro, and ceased during the second and third quarters despite stimulus measures by the government. The “El Khomri” law, the extension of the recruitment subsidy and the additional depreciation option were supporting factors for French businesses. Moreover, the property sector saw an upturn thanks to the continued fall in interest rates, which brought with it a rebound in transactions on existing properties. The construction sector benefited from fiscal incentives introduced by the authorities, which sparked a recovery in housing starts and building permits. This enabled a gradual disappearance of the negative contribution by the construction sector to investment and growth. At the end of the year, economic indicators were more positive, even though the outlook for growth was not as strong because of the rise in the oil price and in sovereign yields. This improvement was illustrated by a more positive business climate, a rebound in industrial production and a fall in the number of people registered as “category A” unemployed. Nevertheless, growth showed only a modest improvement, while a wait-and-see stance prevailed ahead of the French elections, and the rise in energy prices weighed on household purchasing power.

The year ended therefore with a number of promising signs, but uncertainty loomed large for 2017, in the United States with Donald Trump, in Europe with a busy election schedule and progress in the Brexit negotiations, and in China with capital outflows and the ongoing risk of a hard landing. On the whole, a scenario of a modest acceleration in growth remained the most likely.

V.2.1.2 - Key financial points relating to the consolidated financial statements of BFCM

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2016. These standards include IAS 1-41, IFRS 1-8 and 10-13, and any SIC and IFRIC interpretations adopted as of that date. These standards are available on the European Commission’s website at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm. Standards not adopted by the European Union have not been applied.

The financial statements are presented in accordance with the format recommended by Recommendation No. 2013-04 of the French accounting standards authority concerning IFRS financial statements. They are consistent with the international accounting standards as adopted by the European Union.

The information on risk management required by IFRS 7 is provided in a specific section of the management report entitled “CM11 Group's risk management.”

<u>Standards and interpretations adopted since January 1, 2016</u>

The amendments adopted by the European Union do not have a material impact on the financial statements. They relate mainly to:

- IAS 1 – Presentation of financial statements: the emphasis is on the relative importance, presented over two lines, in net income and gains and losses recognized directly in shareholders' equity, of the share of associates (distinction between the “recyclable” and “non-recyclable” shares);
- IFRS 2 – Share-based payment: the change concerns the concept of “vesting conditions,” which is now defined as a “performance condition” or as a “service condition”;
- IFRS 3 – Business combinations: the contingent consideration in a combination as a liability or equity instrument arises from application of IAS 32. Earn-outs that are not equity instruments must be measured at fair value at each reporting date, and changes in fair value must be recognized in profit or loss;

- IFRS 7 – Financial instruments: disclosures when a servicing contract represents a continuing involvement in a transferred asset;
- IFRS 8 – Operating segments: disclosures when segments are aggregated;
- IAS 24 – Related party disclosures: extension of the definition (to include management entities) and additional disclosures in the notes;
- IAS28/IFRS10/IFRS12: option that allows, under certain circumstances, interests in associates and joint ventures to be measured at fair value through profit or loss entity by entity.

IFRS 9 - Financial Instruments

IFRS 9 is to replace IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- classification and measurement of financial instruments (Phase 1),
- impairment of credit risks on financial assets (Phase 2), and
- hedge accounting, excluding macro-hedging (Phase 3).

Its application will become mandatory on January 1, 2018. Classification and measurement, as well as the new impairment model under IFRS 9, are applicable retrospectively by adjusting the opening balance sheet on the date of first-time adoption. There is no requirement to restate fiscal periods presented as comparative statements. The Group will therefore present its 2018 financial statements without a comparative statement for 2017 in the IFRS 9 format. An explanation of the portfolios' transition between the two standards and the impacts on shareholders' equity will be included in the notes.

In the second quarter of 2015, the Group launched an initiative that is currently in the project stage; it brings together the various departments concerned (finance, risk, IT, etc.) and is structured around the "national consolidation" steering committee coordinated by the Confédération's Financial Management Department. Several working groups have been established for the project, based on the different phases and instruments (credit, securities and derivatives), with the work on impairment models under the responsibility of the CNCM Risks Department. The necessary IT developments and modifications began in 2016 and will continue in 2017.

This initiative will cover all of the Group's relevant activities, including insurance. The amendment to IFRS 4, published in September 2016, allows first-time adoption of IFRS 9 to be deferred or adjusted for these entities. However, the deferral approach does not, at this stage, apply to institutions that provide banking and insurance services (*bancassureurs*). Given the timetable for implementation of the standard and although discussions on this issue continue at the international and European level, the Group's insurance entities will apply IFRS 9 as of January 1, 2018.

Information by phase is presented below.

 Phase 1 - Classification and measurement

According to IFRS 9, the classification and measurement of financial assets will depend on the business model and contractual characteristics of the instruments, which could result in a different classification and measurement for certain financial assets than under IAS 39.

Loans, receivables and debt securities acquired will be classified:

- at amortized cost, if the business model involves holding the instrument in order to collect contractual cash flows, and if the cash flows are solely payments of principal and interest (analysis performed using the SPPI test);
- at fair value through equity, if the business model is to hold the instrument in order to collect contractual cash flows and to sell the assets when opportunities arise, and if the cash flows are solely payments of principal and interest. If these instruments are sold, the unrealized gains or losses previously recognized in equity will be recognized in profit or loss, as is currently the case under IAS 39, if they are classified as available-for-sale (AFS) assets;

- at fair value through profit or loss, if they are not eligible for the two previous categories or if the Group decides to exercise its option to classify them as such, in order to reduce accounting mismatches.

Equity instruments acquired (mainly shares) will be classified:

- at fair value through profit or loss; or

- using the fair value through equity option. If these instruments are sold, the unrealized gains or losses previously recognized in equity will not be recycled to profit or loss, contrary to current practice if they are recognized in AFS assets. Only dividends will be recognized in profit or loss.

Note that:

- derivatives embedded in financial assets will no longer be able to be recognized separately from the host contract;

- the provisions of IAS 39 on the derecognition of financial assets and liabilities remain unchanged in IFRS 9;

- the same holds true for the provisions relating to financial liabilities, with the exception of the recognition of changes in fair value, resulting from the own credit risk of liabilities designated under the fair value through profit or loss option. They will have to be recognized as unrealized or deferred gains or losses in equity, and not in profit or loss. The Group is marginally affected by the own credit risk issue.

The operational work conducted within the Group throughout 2016 sought to:

- finalize the instrument mapping, both with respect to interest rates and the different contractual clauses;

- define and begin the SPPI tests for the rates identified as risky (averaged, decorrelated);

- launch the initiative on documentation for the various instruments, at the national and regional level, for both the characteristics of the instruments and their business models.

At this stage, it is primarily units of UCITS and real estate funds (OPCIs) and certain convertible or structured bonds that will be reclassified at fair value through profit or loss; the impact of these reclassifications will be moderate. Work is being finalized on certain credits and securitization tranches.

- Phase 2 – Impairment

The section of IFRS 9 relating to credit risk impairment responds to the criticisms raised concerning the incurred credit loss model under IAS 39, i.e. that it causes accounting for credit losses to be delayed and the amounts of the credit losses recognized to be too low.

It allows provisioning for incurred credit losses to be replaced by provisioning for expected credit losses. Impairment provisions will be recognized, as regards financial assets for which there are no objective indications of losses on an individual basis, based not only on past losses observed but also on reasonable and justifiable cash flow forecasts.

This more forward-looking approach to credit risk is already taken into account to a certain extent when collective provisions are currently recognized on portfolios of financial assets with similar characteristics, pursuant to IAS 39.

Accordingly, the new impairment model under IFRS 9 will apply to all debt instruments measured at amortized cost or at fair value through equity, which will be divided into three categories:

- Bucket 1: 12-month expected credit loss provisioning (resulting from default risks in the next 12 months) on initial recognition of the financial assets, and as long as no significant increase in credit risk has been observed since the initial recognition;

- Bucket 2: lifetime expected credit loss provisioning (resulting from default risks for the entire remaining life of the instrument) if a significant increase in credit risk has been observed since the initial recognition; and

- Bucket 3: a category consisting of impaired financial assets for which there is objective evidence of impairment as a result of an event that occurred after the loan was contracted. This category is equivalent to the scope of outstandings currently impaired individually under IAS 39.

Significant increase in credit risk will be assessed by:

- taking all reasonable and supportable information into account; and
- comparing the default risk on a financial instrument on the reporting date with the default risk on the initial recognition date.

At the Group level, this is reflected in the measure of risk at the borrower level, whereas the variation in risk is measured at the level of each contract.

The operational work conducted within the Group throughout 2016 focused primarily on defining the boundary between buckets 1 and 2:

- the Group will rely on models developed for prudential purposes and on the measurement of the 12 months default risk (represented by a default rate or score), as authorized under the standard;
- these quantitative data will be combined with qualitative criteria such as payments that are more than 30 days past due/late, the concept of restructured loans, etc.;
- less complex methods will be used for the entities or small portfolios, classified prudentially under the standardized approach and that do not have rating systems.

Discussions are underway on the methodology for taking forward-looking information into account within the parameters.

At this stage, the Group believes that the quantitative impacts cannot be reasonably measured, but that the level of impairment, under IFRS 9, of buckets 1 and 2 will be significantly higher than the collective provisions currently recorded under IAS 39.

- Phase 3 – Hedge accounting

IFRS 9 allows entities to choose, on first-time adoption, to apply the new hedge accounting provisions or to maintain the provisions of IAS 39.

Crédit Mutuel Group has decided to maintain the current provisions. Additional information will be included in the notes, however, on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

Furthermore, the provisions in IAS 39 for the fair value hedge of interest rate risk on a portfolio of financial assets or liabilities, as adopted in the European Union, will continue to apply.

IFRS 15 - Revenue from Contracts with Customers

This standard will replace several standards and interpretations on revenue recognition (including IAS 18 *Revenue* and IAS 11 *Construction Contracts*). It does not, however, affect revenue from leases, insurance policies or financial instruments.

Recognition of revenue from contracts should reflect the transfer of control of an asset (or service) to a customer, for the amount to which the seller expects to be entitled. To that end, the standard has developed a five-step model to determine when and for what amount the revenue should be recognized:

- identify the contract with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to the performance obligations in the contract, and
- recognize revenue when the entity satisfies a performance obligation.

Application of the standard is mandatory for annual reporting periods starting from January 1, 2018 onwards.

In 2016, the Group performed an analysis of the standard and an initial assessment of its potential impacts. This work was done by a dedicated Confédération Nationale du Crédit Mutuel working group, in which the different CM groups and, where applicable, certain subsidiaries participated.

The main business lines/products analyzed were the packaged banking offerings, asset management (performance fees), telephonic, and the IT activities.

At this stage, the impacts are expected to be limited.

Standards and interpretations not yet adopted by the European Union

These are mainly:

- IFRS 16 - Leases, with an effective date set at January 1, 2019, subject to adoption by the European Union,
- amendments to IFRS 4 in relation to IFRS 9 (effective date set at January 1, 2018).

IFRS 16 – Leases

This standard will replace IAS 17 and the interpretations relating to lease recognition.

According to IFRS 16, the definition of leases involves, first, the identification of an asset and, second, the lessee's control of the right to use this asset.

From the lessor's standpoint, the expected impact should be limited, as the provisions adopted remain substantially unchanged from the current IAS 17.

The lessee will have to recognize the following for any operating lease:

- in fixed assets: an asset representing the right to use the leased asset,
- in liabilities, a liability representing the obligation to make lease payments for the term of the lease, and
- in the income statement, the expense related to the straight-line depreciation of the asset, separately from the interest expense calculated actuarially, on the financial liability.

As a reminder, according to IAS 17 currently in force, no amount is recorded on the balance sheet and the cost of leases is included in operating expenses.

The Group began the work of analyzing the impacts of this standard and in particular started to identify its leases, for both real estate and equipment (IT, vehicle fleet, etc.).

Change in accounting method for the treatment of the ACMs' capitalization reserve

The capitalization reserve is a reserve that is funded by capital gains on disposals of bonds and that is released only when capital losses are realized on the bonds.

Following the transposition of Solvency II into French law, Groupe des Assurances du Crédit Mutuel modeled the pay-outs from the capitalization reserve to policyholders. As this reserve ultimately accrues in large part to policyholders, the recognition of the share of liabilities related to deferred profit-sharing for the restatement of the capitalization reserve makes the Group's IFRS consolidated financial statements more relevant with IFRS 4.

In accordance with IAS 8, the intentional adoption of this new method for recognizing the future rights of holders of participating policies to the capitalization reserve represents a change in accounting method.

The negative impact on IFRS capital of €257 million at the beginning of 2015, and then of €259 million at end-2015, represents about 95% of the balance of the capitalization reserve for the portfolios representing participating policies.

The impact on 2015 IFRS income was -€1 million net of deferred tax.

Due to these changes, the Group prepared financial statements restated at December 31, 2015.

€ million	Déc. 31, 2015 published	restatement	Déc. 31, 2015 restated
Assets			
Deferred tax assets	780	136	916
Liabilities			
Technical reserves of insurance companies	76 835	394	77 229
Shareholder's equity	**25 653**	**-259**	**25 394**
Shareholder's equity - Group share	**21 843**	**-186**	**21 657**
Consolidated reserves	12 816	-185	12 631
Net income for the year	1 542	-1	1 541
Shareholder's equity - Minority interests	**3 810**	**-72**	**3 738**
Total liabilities	**458 515**	**136**	**458 650**
Consolidated income statement			
Losses on other activites	-11 137	20	-11 118
Income tax	-1 120	-22	-1 142
Net income after tax	**1 877**	**-2**	**1 875**
minority interests	335	-1	334
Net income less minority interests	**1 542**	**-1**	**1 541**

Scope and basis of consolidation

Consolidation scope

The general principles for the inclusion of an entity in the consolidation scope are defined in IFRS 10, IFRS 11 and IAS28R.

The consolidation scope comprises:

- ***Controlled entities***: control is considered to be exercised when the Group holds power over the entity, is exposed or is entitled to variable returns because of its links with the entity, and can exercise its power over the entity to influence its returns. Entities that are controlled by the Group are fully consolidated.

- ***Entities under joint control***: joint control is exercised by virtue of a contractual agreement providing for joint control of an entity, which exists only if the decisions concerning the entity's key activities require unanimous agreement of the parties sharing the control. Two or more parties exercising joint control constitute a partnership, which is either a jointly controlled operation/asset or a jointly controlled entity:

- a jointly controlled operation/asset is a partnership where the parties that exercise joint control have rights to and obligations for the underlying assets and liabilities: the assets, liabilities, revenues and expenses are accounted for proportionally to the interest held in the entity;
- a jointly controlled entity is a partnership where the parties that exercise joint control have rights to the entity's net assets: jointly controlled entities are accounted for using the equity method.

All the entities under the joint control of the Group are jointly controlled entities within the meaning of IFRS 11.

- ***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.

Companies that are between 20% and 50% owned by the Group’s private equity businesses and over which the Group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

V.2.1.3 – BFCM Group activity and results

V.2.1.3.1 – Analysis of the consolidated statement of financial position

The total IFRS consolidated statement of financial position of BFCM Group was €491.3 billion in 2016 compared with €458.7 billion in 2015 (+7.1%).

The increase mainly relates to “amounts due to customers” (+€16.2 billion), “debt securities” (+€7.1 billion) and “amounts due to credit institutions” (+€6.2 billion).

Financial liabilities measured at fair value through profit or loss came to €11.3 billion in 2016 compared with €12.9 billion in 2015. They mainly comprise derivatives and other transactional financial liabilities, as well as amounts due to credit institutions measured at fair value through profit or loss.

Amounts due to credit institutions came to €55.5 billion compared with €49.3 billion in 2015 (+12.5%).

The item “Due to customers” on the liabilities side of the statement of financial position is made up of customer savings deposits, including accrued interest. These deposits increased by 10.0% to €178.3 billion in 2016. The contribution of the CIC entities alone represented nearly 80% of this total, i.e. €138.4 billion, whereas Targobank Germany contributed 7.5% (€13.3 billion), and BECM 7.6% (€13.6 billion).

Issues of securities other than those measured at fair value through profit or loss totaled €112.3 billion, up by 6.8% in relation to 2015. Interbank securities and negotiable debt securities accounted for the bulk of these, with an outstanding amount of €61.3 billion, followed by bond loans (€49.4 billion). The balance comprised short-term notes and accrued interest.

Technical reserves of insurance contracts, representing liabilities to policyholders, came to €81.5billion (+5.6%), of which €43.5 billion comprised customer savings.

The non-controlling interests shown as liabilities (€4.1 billion at the end of 2016) mainly related to other Crédit Mutuel groups’ shares in GACM, external shareholders in CIC and the external shareholders in the Cofidis Group.

Shareholders’ equity attributable to the Group totaled €22.8 billion, up 5.4% (+1.2 billion) in relation to 2015.

On the assets side, investments on the interbank market comprised assets with the Central Bank in the amount of €60 billion and assets with credit institutions in the amount of €53.1 billion.

Total receivables due from customers rose from €190.9 billion to €213.3 billion (+11.7%) in 2016.

77% of all loans are granted through CIC entities (€164.8 billion). The total loan outstandings of BECM (€12.4 billion) contributed 5.8% of the total outstandings managed by TARGOBANK Germany (€12.1 billion) and the Cofidis group (€10.1 billion). The outstandings of the entities acquired from GE Capital in France and Germany totaled €10.1 billion at the end of 2016.

Financial instruments measured at fair value through profit or loss came to €26.9 billion compared with €26.4 billion in 2015.

Goodwill on the assets side (totaling €4.1 billion) resulted mainly from the acquisition of Targobank Germany securities in December 2008 (€2.8 billion), the acquisition of a stake in the Cofidis Group at the beginning of March 2009 (€457 million), CIC securities (residual goodwill of €506 million) and Factofrance SAS, Heller Gmbh and Targo Leasing GmbH securities acquired in July (€156 million).

V.2.1.3.2 - Analysis of the consolidated income statement

Net banking income

BFCM Group net banking income grew from €9,239 million in 2015 to €9,830 million in 2016, an increase of 4% at constant scope. The main reasons underlying this change in BFCM Group net banking income between 2015 and 2016 are detailed below and result from factors identical to those that affected Crédit Mutuel-CM11 Group:

In the retail banking and insurance activities, interest rate levels and renegotiations of home loans weighed on customer margins and investment returns, while at the same time, commission income on retail banking increased by 4.9%.

The successful external growth transactions in factoring and leasing carried out in 2016 gave rise to an increase in activity and revenues of the retail banking activity. The NBI on this activity rose by 4.5% before adjustment for scope effects and changes in the consolidation method[1].

The NBI of the “corporate banking and capital markets activities” and private equity grew by 2.8% and 13.6% respectively, while the NBI of the private banking activity rose by 0.5%.

NBI includes the capital gain from the sale of shares in Visa Europe, which is recorded under the “holding” segment in the amount of €241 million, and capital gains generated on portfolio-related sales which had a positive impact on NBI in 2016.

Retail banking accounted for the greatest proportion of BFCM Group's earnings, followed by insurance and financing & capital market activities. The table below shows the breakdown of net banking income by activity. A breakdown of net banking income and other income statement items by activity is shown under the heading "Results by activity".

	year ended December 31		
(€ million)	**2016**	**2015 restated**	*change **
Retail banking	6,715	6,429	+1.5%
Insurance	1,421	1,521	-8.6%
Financing and capital markets	808	785	+2.8%
Private banking	512	510	+0.5%
Private equity	195	172	+13.6%
Logistics and holding company services	260	(95)	ns
Interactivity services	(80)	(82)	ns
Total	**9,830**	**9,239**	**+4.0%**

** at constant scope*

The net banking income of the BFCM Group's retail banking activity rose by 1.5% in relation to 2015, and the net banking income of the retail banking activities of the Crédit Mutuel-CM11 Group fell by 0.8% attributable to a bigger fall in the NBI of the regulatory scope (-5.3%).

In general, BFCM Group net banking income from other activities is similar to that of Crédit Mutuel-CM11 Group's (see breakdown above), aside from logistics and holding company activities.

France contributed 71% of BFCM Group's net banking income excluding the logistics and holding company activities in 2016. The following table shows net banking income by region in 2015 and 2016.

(€ million)	**2016**	**2015**	change
France	7,216	6,814	+5.9%
Europe excepted France	2,402	2,216	+8.4%
Other countries	212	209	+1.4%
TOTAL	**9,830**	**9,239**	**+6.4%**

Pursuant to article 7 of Law 2013-672 of July 26, 2013 of the Monetary and Financial Code, amending Article L. 511-45, which requires credit institutions to publish information on their sites and the operations conducted in each state or territory, the table below details BFCM Group activity in the various countries where the group has a site.

The country in which each entity is located is mentioned in the consolidation scope. The Group has no sites meeting the criteria stipulated in the decree of October 6, 2009 in the non-cooperative states or territories included in the list established by the order of January 17, 2014.

In € millions exept Number of employees Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Number of employees	Government subsidies
Germany	1,281	367	-118	14	-77	7,167	0
Belgium	124	24	-3	1	-8	607	0
Spain	333	-180	-17	2	-18	2,502	0
United States	119	77	-28	6	-7	85	0
France	7,212	3,474	-916	14	-1,014	28,824	0
Hungary	30	7	0	1	-2	205	0
Iraly	38	3	0	0	-2	218	0
Luxembourg	282	123	-31	15	-23	810	0
Morocco	0	85	0	0	0	0	0
Monaco	2	0	0	0	0	9	0
Poland	1	0	0	0	0	4	0
Portugal	156	89	-32	7	-5	716	0
Czech Republic	7	-2	0	0	-1	160	0
United Kingdom	45	37	-6	-2	-7	56	0
Saint Martin	3	1	0	0	0	8	0
Singapore	91	20	-3	0	-4	247	0
Slovakia	2	-2	0	0	0	11	0
Switzerland	105	39	-5	1	-10	313	0
Tunisia	0	16	0	0	0	0	0
Total	**9,831**	**4,178**	**-1,159**	**59**	**-1,178**	**41,942**	**0**

Operating income before provisions

BFCM Group's gross operating income reached €4,043 million in 2016 compared with €3,781 million in 2015, representing an increase of 6.2% at constant scope, in line with the strong growth in NBI, and general operating expenses (including depreciation, amortization and provisions), which showed a 2.5% increase at constant scope to €5,787 million in 2016 versus €5,458 million in 2015. BFCM Group’s cost/income ratio fell to 58.9% in 2016, compared with 59.1% in 2015.

Retail banking gross operating income was €2,635 million in 2016, compared with €2,533 million in 2015, representing an increase of 3.2% at constant scope. Retail banking cost-to-income ratio stood at 60.8% in 2016, compared with 60.6% in 2015.

Cost of risk

Net additions to/reversals from provisions for loan losses amounted to €749 million in 2016 versus €696 million in 2015. This €53 million increase notably includes the first-time full consolidation of Targobank Spain, representing a cost of risk of €100 million. After adjusting for this impact and the other changes in scope (notably the factoring and leasing subsidiaries acquired from GE Capital in 2016), the net additions to/reversals from provisions for loan losses of BFCM show a decrease of 9.0%, confirming the good quality of its assets.

Operating income

BFCM Group’s operating income totaled €3,295 million in 2016, compared with €3,085 million in 2015, i.e. an increase of 9.6%, which reflects the marked improvement in the cost of risk and growth in NBI.

Net income

BFCM's group net income reached €1,943 million in 2016, up 1.1% year-on-year at constant scope while net income attributable to the Group reached €1,655 million in 2016 compared with €1,541 million in 2015.

Transactions with Crédit Mutuel-CM11 Group

Transactions with Crédit Mutuel-CM11 Group entities not part of the BFCM Group (mainly the local banks and the CF de CM) accounted for €610 million of the BFCM Group's gross operating income in 2016.

Net interest income from these transactions amounted to €720 million in 2016 compared with €816 million in 2015. Net commission income was -€35 million in 2016, similar to 2015. Net expenses on other activities recognized by these entities were €30 million in 2016, compared with net expenses of €7 million in 2015.

At December 31, 2016, outstanding loans to Crédit Mutuel-CM11 Group entities not part of the BFCM Group amounted to €32.4 billion (€36.5 billion at December 31, 2015).

V.2.1.3.3 – Breakdown by activity

The activities mentioned here correspond to the Crédit Mutuel-CM11 Group organizational structure shown in the first section of this document. The reader may also refer to Note 2 to the financial statements "Analysis of statement of financial position and income statement items by activity and geographic region", as well as Note 3 "Scope of consolidation", which presents the selected groupings.

Retail banking

There was a further improvement in the quality of the retail banking network, which comprised 2,575 branches in 2016.

	year ended December 31		
(€ million)	**2016**	**2015 restated**	*change **
Net banking income	**6,715**	**6,429**	**+1.5%**
Operating expenses	(4,080)	(3,896)	+0.3%
Gross operating income	**2,635**	**2,533**	**+3.2%**
Cost of risk	(727)	(685)	-10.7%
Gains (losses) on other assets	(66)	73	ns
Income before tax	**1,842**	**1,922**	**-7.1%**
Corporate income tax	(701)	(667)	+3.2%
Net income	**1,141**	**1,255**	**-12.6%**

** at constant scope*

Net banking income from retail banking was up 1.5% to €6,715 million. Net commission income was up 4.9%. General operating expenses remained stable (+0.3%) at €4,080 million versus €3,896 million in 2015. Net additions to/reversals from provisions for loan losses came to €727 million, with the share of income (loss) from associates and gains (losses) on other assets representing a charge of €66 million.

Net income therefore amounted to €1,141 million.

Insurance

The insurance activity showed positive trends with a 3.1% increase in policy numbers (27.9 million) and revenue of €10.2 billion.

	year ended December 31		
(€ million)	**2016**	**2015 restated**	*change **
Net banking income	**1,421**	**1,521**	**-8.6%**
Operating expenses	(472)	(449)	+0.3%
Gross operating income	**949**	**1,072**	**-12.3%**
Gains (losses) on other assets	45	29	+73.0%
Income before tax	**994**	**1,101**	**-10.1%**
Corporate income tax	(299)	(394)	-23.7%
Net income	**695**	**706**	**-2.5%**

The contribution by the insurance activity segment to net income was €695 million (-2.5%). This takes into account the impact of the fall in interest rates on provisions and on the return on financial investments. Weather events in May and June 2016 had very little impact on the accounts.

Corporate banking

This business line managed €16.3 billion in loans (+14.9%) and €5.1 billion in deposits (-18.1%).

	year ended December 31		
(€ millions)	**2016**	**2015**	*change*
Net banking income	**375**	**382**	**-2.1%**
Operating expenses	(108)	(101)	+6.6%
Gross operating income	**267**	**281**	**-5.2%**
Cost of risk	(22)	(21)	+3.3%
Income before tax	**245**	**260**	**-5.9%**
Corporate income tax	(90)	(94)	-3.6%
Net income	**154**	**166**	**-7.2%**

At €375 million, its net banking income fell by 2.1% attributable to non-recurring transactions in 2015. Net additions to/reversals from provisions for loan losses corresponded to a charge of €22 million, similar to the level recorded in 2015. Net income reached €154 million, down 7.2% in relation to 2015.

Capital markets activities

	year ended December 31		
(€ millions)	**2016**	**2015**	*change*
Net banking income	**433**	**403**	**+7.5%**
Operating expenses	(223)	(186)	+19.9%
Gross operating income	**209**	**217**	**-3.3%**
Cost of risk	3	2	ns
Income before tax	**213**	**218**	**-2.4%**
Corporate income tax	(72)	(93)	-23.4%
Net income	**141**	**125**	**+13.2%**

The capital markets division generated net banking income of €433 million, up 7.5% in relation to 2015. The 19.9% increase in general operating expenses resulted in particular from the allocation to this business line of a contribution to the Single Resolution Fund (SRF) that was €14 million higher than that of the previous year. Net income came to €141 million, up 13.2%.

Private banking

This business accounts for total savings outstandings of €107.7 billion, which increased by 3.6% over the year without the impact of any market effects. Customer loan outstandings stood at €13.8 billion (+15.1%) at the end of 2016.

	year ended December 31		
(€ millions)	**2016**	**2015**	*change*
Net banking income	**512**	**510**	**+0.5%**
Operating expenses	(367)	(371)	-1.1%
Gross operating income	**145**	**139**	**+5.0%**
Cost of risk	(4)	9	ns
Gains (losses) on other assets	7	(4)	ns
Income before tax	**149**	**143**	**+4.1%**
Corporate income tax	(32)	(41)	-23.5%
Gains & losses net of taxes on discontinued operations	(22)	(23)	-1.2%
Résultat net	**95**	**79**	**+20.0%**

Net banking increased from €510 million in 2015 to €512 million at the end of 2016 while net income rose by 20.0% to €95 million.

Private equity

The proprietary investment portfolio totaled €2 billion, including €288 million of new investments in 2016. This portfolio comprises 408 equity investments, the vast majority of which are in companies which are clients of the Group network.

(€ millions)	*year ended December 31* 2016	2015	*change*
Net banking income	**195**	**172**	**+13.6%**
Operating expenses	(46)	(41)	+11.8%
Gross operating income	**149**	**131**	**+14.1%**
Income before tax	**149**	**131**	**+14.0%**
Corporate income tax	0	(5)	ns
Net income	**149**	**126**	**+17.8%**

The private equity business performed well in 2016, reporting net banking income of €195 million at December 31, 2016 compared with €172 million in 2015, with net income of €149 million compared with €126 million a year earlier.

IT, logistics and holding company

(€ millions)	*year ended December 31* 2016	2015 restated	*change*
Net banking income	**260**	**(95)**	**ns**
Operating expenses	(571)	(496)	+15.2%
Gross operating income	**(312)**	**(591)**	**-47.3%**
Cost of risk	1	(1)	ns
Gains (losses) on other assets	(282)	(143)	ns
Income before tax	**(593)**	**(735)**	**-19.3%**
Corporate income tax	94	152	-38.3%
Gains & losses net of taxes on discontinued operations	66	0	ns
Net income	**(433)**	**(583)**	**-25.7%**

The logistics and holding company activities registered net banking income of €260 million in 2016 compared with -€95 million in 2015, attributable to the recognition of capital gains on the sale of shares and a net loss of €433 million in 2016 compared with €583 million in 2015.

V.2.2 – Recent developments and outlook

In an environment marked by numerous challenges – economic, social, technological, competitive and regulatory – the Group continued to concentrate on its priorities in 2016: development, adaptability, innovation, quality of service and control of its costs and loan-loss provisions. Through this work, it was able to assert its identity, highlight its differentiating factors and produce good financial results, underpinning solidity and confidence. All of the Group's activity segments benefited from its technological and digital expertise. This demonstrated its resolve to serve its 16.9 million customers and more broadly the public and the real economy.

To accompany these transformations, the 2014-2016 medium-term plan has been extended until 2018. An IT and organizational plan "*Priorité client-sociétaire 2018*" ("Priority on customers-members 2018") will be implemented over the coming years to improve the tools and assistance provided to the customer relationship managers and the networks so that they can continue improving their member-customer services.

Events after the reporting period

After acquiring all of the shares of Targo Deutschland Gmbh from CM Akquisitions Gmbh (CMA) in 2016, Banque Fédérative du Crédit Mutuel (BFCM) absorbed CMA. The cross-border merger was definitively filed with the trade and companies registrar of Dusseldorf on March 15, 2017 and the related notary's certificate validated the merger in France effective as of March 22, 2017. The merger/absorption by BFCM of CMA entailed the universal transmission of the assets of the absorbed company (CMA) to the absorbing company (BFCM); all of CMA's assets and liabilities were therefore transferred to BFCM via a merger operation that involved the dissolution of CMA without liquidation.

On March 30, 2017, BFCM acquired 16% of the share capital of Cofidis Participations, bringing its stake to 70.63%. This operation followed the exercise of reciprocal put and call options decided in 2008.

On April 6, 2017, the boards of directors of Caisse Fédérale du Crédit Mutuel and Banque Fédérative du Crédit Mutuel appointed Daniel Baal as the Chief Executive Officer and executive directors as of June 1, 2017, thereby replacing Alain Fradin.

V.2.3 – BFCM Group risk management

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

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

The periodic and permanent control functions and the compliance function provide strict oversight of processes across all business activities.

The description of the controls, review of reporting and action plans undertaken are described in the chairman of the board of directors' report to the shareholders' meeting, in section II of this registration document.

The risk management department consolidates overall risk monitoring and optimizes risk management through the amount of capital allocated to each business and return on equity.

V.2.3.1 Credit risk

Organization of the lending unit

In accordance with applicable regulations, the lending unit is organized mainly around the two following mechanisms:

• loan origination procedures; and

• risk assessment, the monitoring of commitments and management of at-risk items.

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

Loan origination procedures

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

Know-your-customer

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

Risk assessment

Risk assessment draws on various analyses performed at different stages in the lending cycle including, in particular:

• customer ratings;

• risk groups; and

• the weighting of products according to the type of risk involved and the collateral pledged and guarantees received.

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

Customer ratings: a single system for the entire Group

In accordance with the applicable regulations, the Group's internal customer rating system is at the core of the Group's credit risk procedures and used in determining approval, payment, pricing and monitoring. All loan origination decisions are based on the counterparty's rating. The lending unit approves the internal ratings of all loan files for which it is responsible.

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 common to the entire Crédit Mutuel Group.

Confédération Nationale du Crédit Mutuel (CNCM) is responsible for defining the rating methodologies for all portfolios. However, the regional entities are directly involved in developing and approving working group projects on specific issues, as well as works on data quality and application acceptance testing.

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

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

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

Risk groups (counterparties)

Individuals or legal entities that constitute a single risk because one of them, directly or indirectly, has control over the other or others or because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the others would be likely to encounter funding or repayment difficulties, are considered a "group of connected clients."

Risk groups are established based on a procedure that incorporates the provisions of Article 4.1.39 of EU regulation 575/2013.

Product and guarantee weightings

A weighting of the nominal commitment may be used to assess the counterparty risk. It combines the loan type and the nature of the guarantee.

Loan origination process

The loan origination process is essentially based on:

• a formalized risk analysis of the counterparty;

• the internal rating applied to the counterparty or group of counterparties;

• approval levels;

• the dual review principle;

• the maximum lending limits that have been determined in proportion to the bank's equity;

• whether the interest rate is adapted to the loan's risk profile and capital consumption.

The group uses a real-time automated decision-making process. As soon as a loan application has been completed, the electronic loan file is automatically transmitted to the relevant decision maker at the appropriate level.

Approval levels

The customer relationship manager is responsible for ensuring the completeness, quality and reliability of the information collected. In accordance with Article 107 of the French Decree of November 3, 2014, the manager compiles loan files intended to formalize all qualitative and quantitative information on each counterparty. The manager checks the reliability of the information gathered either with customers or using any external means (sector studies, annual reports, legal information and rating agencies) or internal means at his disposal. Customer relationship managers are each responsible for any decisions they take or cause to be taken and are endowed with personal approval powers.

For loan files whose amount exceeds personal approval powers, the decision falls to a loan origination committee, whose operating rules are set by specific procedures.

Approval powers reflect a range of commitment caps based on:

• the rating;

• the total amount of commitments for a given counterparty or risk group, weighted where relevant depending on the type of loan concerned or the eligible guarantees;

• any specific exclusions.

Role of the lending unit

Each regional bank has a lending team, which report directly to Executive Management and are independent of the operating departments. It has two key roles and is therefore split into two independent teams, whose responsibilities are as follows:

• one team is responsible for checking that the loan origination decisions are appropriate based on the dual review principle while verifying that the expected return is commensurate with the risk taken;

• the other team is responsible for prudential oversight and credit risk assessment arrangements, and also for the performance of permanent controls.

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

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

Risk assessment

To assess risk, Crédit Mutuel-CM11 Group uses an array of tools that provide an aggregated, static and dynamic view of:

• the exposure to a given counterparty or group of counterparties;

• new and existing loans, based on elements adapted to suit the business lines concerned (rating, market, lending products, business segments, remuneration).

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

Commitment monitoring

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

This monitoring is conducted independently from the loan origination process and is in addition to and in coordination with the actions taken mainly by first-level control in the lending units, 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 regulatory corporate limits applicable to the Crédit Mutuel-CM11 scope pursuant to CRBF regulation 93-05 are calculated based on regulatory shareholders' equity and internal counterparty ratings. The regulatory limits are monitored using specific methods (and at specific frequencies) which are defined in the related procedures.

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

Permanent controls on commitments

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

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

Management of At-risk Items

A unified definition of default based on Basel and accounting requirements

A unified definition of default has been introduced for the entire Group. It is based on an alignment of prudential rules with accounting regulations (Autorité des Normes Comptables - ANC (Accounting Standards Authority) Regulation n°2014-07 of November 26, 2014/EU Regulation n°575/2013). It draws a correlation between the Basel concept of default and the accounting notion of non-performing loans and loans in litigation. The information systems take contagion into account, thereby allowing related loans to be downgraded.

Identification of At-risk Items

The process involves identifying all loans to be considered "At-risk Items" and then allocating them to the category corresponding to their situation: sensitive (not downgraded), non-performing, irrecoverable 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 counterparties concerned are managed differently according to the severity of the situation: at the branch level by the customer relationship manager or by dedicated teams specialized by market, type of counterparty or collection method.

V.2.3.2 - Quantified data

Summary credit-risk exposure (balance sheet and off-balance sheet)

Exposition

Total gross exposure came to €258.8 billion, down 4.5% compared with the end of 2015. Loans to customers totaled €214.4 billion, up by 12.2% in relation to 2015, while loans to credit institutions fell by 44.3% after an increase of 51% between 2014 and 2015.

(€ million)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Loans & receivables			
Credit institutions	44,342	44,031	79,650
Customers	214,433	201,931	191,187
Gross exposure	**258,775**	**245,961**	**270,837**
Impairment provisions			
Credit institutions	0	0	0
Customers	-7,360	-7,047	-7,207
Net exposure	**251,416**	**238,914**	**263,630**

Source: Accounting - excluding repurchase agreements.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation method)*

Commitments given

(€ million)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Financing commitments given			
Credit institutions	1,316	1,316	3,437
Customers	43,180	41,844	40,768
Guarantee commitments given			
Credit institutions	2,560	748	1,291
Customers	15,191	14,909	14,939
Provision for risks on commitments given	**119**	**108**	**108**

Source: Accounting - excluding repurchase agreements.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation method)*

Customer loans

Loans to customers, excluding repos, totaled €214.4 billion, up by 12.2% compared with 2015 (5.6% at constant scope). On-balance sheet medium- and long-term loans increased by 10.8%, while short-term loans were up by 16.7% (7.8% and 1.7% respectively at constant scope).

(€ million)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Short-term loans	**62,375**	**54,354**	**53,448**
Overdrawn current accounts	6,978	6,811	6,925
Commercial loans	13,001	5,959	6,128
Short-term credit facilities	41,279	40,498	39,644
Export credits	1,117	1,086	750
Medium- and long-term loans	**140,344**	**136,557**	**126,668**
Equipment loans	49,956	49,213	37,529
Housing loans	72,834	72,194	70,523
Finance leases	12,454	10,051	9,681
Other loans	5,100	5,099	8,934
Total gross customer loans, excluding non-	**202,719**	**190,911**	**180,115**
Non-performing loans	11,218	10,558	10,674
Accrued interest	497	462	398
Total gross customer loans	**214,433**	**201,931**	**191,187**

Source: Accounting - excluding repurchase agreements.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation method)*

(€ million)	12/31/2016 new in consolidation scope	12/31/2016 weight
Short-term loans	**8,021**	**67.9%**
Overdrawn current accounts	166	1.4%
Commercial loans	7,042	59.6%
Short-term credit facilities	781	6.6%
Export credits	31	0.3%
Medium- and long-term loans	**3,787**	**32.1%**
Equipment loans	744	6.3%
Housing loans	640	5.4%
Finance leases	2,403	20.3%
Other loans	1	0.0%
Total gross customer loans, excluding non-	**11,808**	**100.0%**
Non-performing loans	660	
Accrued interest	35	
Total gross customer loans	**12,503**	
Impairment provision	**-312**	

Source: Accounting - excluding repurchase agreements.

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 97.4% of the outstanding loans.

Performing loans to customers by internal rating

Performing loans to customers by internal rating	12/31/2016	12/31/2015
A+ and A-	32.3%	31.9%
B+ and B-	27.7%	27.8%
C+ and C-	26.8%	26.2%
D+ and D-	10.7%	11.4%
E+	2.6%	2.8%

Source: Risk Management.

BFCM Group scope excluding Targobank Germany and factoring and leasing entities acquired from GE Capital in France and in Germany ; including Cofidis, foreign branchs of CIC and private bank. Targobank Spain included in 2016.

Focus on Home loans

Outstanding home loans increased by 3.3% in 2016 and accounted for 36% of total gross customer loans. Home loans are divided among a very large number of customers and are 86% backed by real property sureties or first-rate guarantees.

(€ million)	12/31/2016	12/31/2015
Housing loans	**72,834**	**70,523**
Secured by Crédit Logement or Cautionnement	31,518	29,087
Secured by mortgage or equivalent, low-risk	31,263	30,256
Other guarantees*	10,053	11,181

Source: Accounting. (*) Other risk-level mortgages, pledges, etc.

Breakdown of loans by customer type

The breakdown of loans by customer type takes into account all the BFCM Group entities.

	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Retail	63%	66%	66%
Corporates	33%	29%	29%
Large corporates	2%	2%	2%
Specialized financing and other	2%	3%	3%

Source : Risk management / Financial Dpt
BFCM Group scope excluding foreign branchs of CIC ; including Targobank Germany
** excluding factoring and leasing entities acquired from GE Capital in France and in Germany and Targobank Spain (change in consolidation method)*

Geographical breakdown of customer risk

96% 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.

Geographical breakdown of customer risk		
	12/31/2016	12/31/2015
France	80%	83%
Europe, excluding France	16%	14%
Rest of the world	4%	3%

Source: Accounting.

Concentration risk/Exposure by segment

The tables shown below derive from the credit risk calculator for the Crédit Mutuel-CM11 Group.

In accordance with Article 4.1 of CRBF regulation 2000-03, the following subsidiaries are exempt from monitoring on an individual or sub-consolidated basis: BFCM, CM-CIC Home Loan SFH and CIC Iberbanco. The other entities are subject to monitoring on an individual or sub-consolidated basis.

*Exposure of the Crédit Mutuel-CM11 Group by category**

(€ billion)	Exposure as of Dec. 31, 2016			Exposure as of Dec. 31, 2015			Average 2016 exposures
	IRB	Standard	Total	IRB	Standard	Total	
Governments and central banks	-	104	104		92	92	89
Institutions	40	8	49	49	8	58	58
Corporates	108	46	154	100	20	119	118
Retail customers	229	48	277	219	44	263	255
Stock	13	0	13	12	0	12	12
Securitization	5	0	5	5	0	5	5
Other non-credit obligation assets	5	1	7	5	1	6	6
TOTAL	**401**	**207**	**608**	**390**	**165**	**555**	**542**

Source: Credit risks calculator - Crédit Mutuel-CM11 Group consolidation scope

Historically, Crédit Mutuel's priority has been to develop a customer base of private individuals. CIC, which was originally geared more toward the corporates market, has gradually gained strength in the personal banking segment. However, it continues to serve corporates. The composition of the CIC Group's portfolio reflects these fundamentals, with retail customers representing 46% as of December 31, 2016.

Exposure by country of residence of the Crédit Mutuel-CM11 Group's counterparty as of Dec. 31, 2016	France	Germany	Luxembourg	Other EEA member countries	Rest of the world	Total
Governments and central banks	15.0%	0.9%	0.4%	0.7%	1.3%	17.9%
Institutions	5.6%	0.2%	0.0%	0.7%	0.4%	9.3%
Corporates	16.9%	2.9%	0.5%	2.4%	3.1%	21.8%
Retail customers	42.9%	3.1%	0.1%	1.4%	1.6%	51.0%
TOTAL	**80.3%**	**7.1%**	**1.1%**	**5.3%**	**6.3%**	**100.0%**

Source: Credit risks calculator - CM11 Group consolidation scope

Exposure by country of residence of the Crédit Mutuel-CM11 Group's counterparty as of Dec. 31, 2015	France	Germany	Luxembourg	Other EEA member countries	Rest of the world	Total
Governments and central banks	14.9%	0.8%	0.4%	0.6%	1.3%	17.9%
Institutions	7.5%	0.3%	0.0%	0.8%	0.6%	9.3%
Corporates	16.9%	0.7%	0.6%	1.7%	1.8%	21.8%
Retail customers	44.3%	3.8%	0.1%	1.3%	1.5%	51.0%
TOTAL	**83.6%**	**5.7%**	**1.1%**	**4.3%**	**5.2%**	**100.0%**

Source: Credit risks calculator - Crédit Mutuel-CM11 Group consolidation scope

The Group is primarily a French and European player. The geographic breakdown of exposures as of

December 31, 2016 reflects this as 93.7% of its commitments are in the European Economic Area.

Exposure of the Crédit Mutuel-CM11 Group by sector

The sector breakdown reflects loans to governments and central banks, institutions, corporates and retail customers.

Sector	12/31/2016 in %	12/31/2015 in %
Governments and central banks	20.5%	19.5%
Individuals	33.9%	33.6%
Banks and financial institutions	9.1%	12.4%
Sole traders	2.1%	2.0%
Agriculture	0.8%	0.8%
Non-profit	0.2%	0.2%
Other subsidiaries	0.5%	0.2%
Travel and leisure	1.4%	1.3%
Chemicals	0.4%	0.4%
Retail	4.2%	4.1%
Automotive	1.0%	0.9%
Building and construction materials	3.1%	3.1%
Industrial goods and services	2.7%	2.6%
Healthcare	0.9%	0.8%
Other financial sector	2.3%	2.2%
Industrial transportation	1.9%	1.8%
Household goods	0.7%	0.7%
Real estate	1.4%	
Real estate other	3.3%	4.2%
Utilities	0.9%	0.7%
Agri-food and drink	1.8%	1.7%
Media	0.7%	0.7%
Holding companies, conglomerates	2.2%	2.2%
Cutting-edge technologies	1.4%	1.4%
Oil and gas, commodities	1.7%	1.6%
Telecommunications	0.5%	0.5%
Other	0.5%	0.5%
TOTAL	**100.0%**	**100.0%**

Source : Credit risks calculator - Crédit Mutuel-CM11 Group consolidation scope exlcuding cooperative scope

Major risks

CORPORATE

Concentration of customer credit risk	12/31/2016	12/31/2015
*** Gross commitments in excess of € 300m**		
Number of counterparty groups	53	44
Total commitments (€m)	31,976	26,792
of which total statement of financial position (€m)	12,784	9,665
of which total off-statement of financial position guarantee and financing commitments	19,192	17,127
*** Gross commitments in excess of € 100m**		
Number of counterparty groups	164	148
Total commitments (€m)	49,560	43,334
of which total statement of financial position (€m)	21,752	17,046
of which total off-statement of financial position guarantee and financing commitments	27,808	26,288

Source : DGR Crédit Mutuel-CM11 Group - weighted risks in thousand €
Gross commitments: weighted uses statement of financial position + off-statement of financial position guarantee and financing commitments.
Crédit Mutuel-CM11 Groupe scope excluding cooperative scope and Banque Casino

BANKING

Concentration of customer credit risk	12/31/2016	12/31/2015
*** Gross commitments in excess of € 300m**		
Number of counterparty groups	8	9
Total commitments (€m)	5,448	5,460
of which total statement of financial position (€m)	4,179	3,786
of which total off-statement of financial position guarantee and financing commitments	1,268	1,674
*** Gross commitments in excess of € 100m**		
Number of counterparty groups	32	33
Total commitments (€m)	9,248	9,566
of which total statement of financial position (€m)	7,300	6,973
of which total off-statement of financial position guarantee and financing commitments	1,948	2,593

Source : DGR Crédit Mutuel-CM11 Group - weighted risks in thousand €
Gross commitments: weighted uses statement of financial position + off-statement of financial position guarantee and financing commitments.
Crédit Mutuel-CM11 Groupe scope excluding cooperative scope

At-risk items and cost of risk

Non-performing loans and loans in litigation rose by 5.1% to €11,218 million at December 31, 2016, compared with a total of €10,674 million at December 31, 2015. Excluding the scope effect, they fell by 1.1%. These loans accounted for 5.1% of total customer loans compared with 5.4% at the end of 2015.

At year-end 2016, actual net provisioning for known risks represented 0.356% of gross outstanding customer loans, compared with 0.366% at December 31, 2015. The cost of total customer risk, which includes provisions for collectively impaired receivables, amounted to 0.339% of the gross outstanding customer loans, compared with 0.357% as of December 31, 2015.

The table below summarizes the main components.

	constant scope		current scope***	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cost of total customer risk*	**+0.34%**	**+0.36%**	**+0.31%**	**+0.36%**
Banking networks*1	+0.19%	+0.17%	+0.13%	+0.17%
*Individuals***	*+0.06%*	*+0.07%*	*+0.06%*	*+0.07%*
*Housing Loans***	*+0.04%*	*+0.06%*	*+0.04%*	*+0.06%*
Consumer credit - Targobank Germany*	+1.08%	+1.02%	+1.08%	+1.02%
Consumer credit - Cofidis*	+2.44%	+2.89%	+2.50%	+3.05%
Financing*2	+0.22%	+0.16%	+0.22%	+0.16%
Private banking*	+0.04%	-0.07%	+0.04%	-0.07%

Source: Accounting and Risk management

(+) depreciation (-) reversal

1 network excluding Targobank Germany, Cofidis and network support subsidiaries

2 Corporates, International (including foreign subsidiaries), Specialized financing

** including collective provisions*

*** excluding collective provisions*

**** excluding factoring and leasing entities acquired from GE Capital in France and in Germany, Targobank Spain (change in consolidation method), Cofidis excluding Banif activity (acquired in 2015)*

Quality of customer risks

(€ million, year-end principal balances)	12/31/2016	12/31/2016 at constant scope*	12/31/2015
Individually impaired receivables	11,218	10,558	10,674
Individual impairment	6,948	6,654	6,773
Collective impairment	403	384	434
Coverage ratio	65.5%	66.7%	67.5%
Coverage ratio (individual impairment only)	61.9%	63.0%	63.5%

Source : Accounting.

** excluding factoring and leasing entities acquired from GE Capital in France and in Germany, Targobank Spain (change in consolidation method)*

Past due outstanding loans as of 12/31/2016

Dec. 31, 2016 (€ million)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	TOTAL
Debt instruments (1)	0	0	0	0	0
Loans & receivables	2,135	33	130	5	2,303
Due to central banks	0	0	0	0	0
Governments	0	0	0	0	0
Credit institutions	48	0	0	0	49
Other financial sector	97	1	82	4	184
Non-financial companies	255	2	10	0	267
Retail customers	1,735	30	38	1	1,804
Total	2,135	33	130	5	2,303

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

Past due outstanding loans as of 12/31/2015

Dec. 31, 2015 (€ million)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	TOTAL
Debt instruments (1)	0	0	0	0	0
Loans & receivables	1,794	69	83	54	2,000
Due to central banks	0	0	0	0	0
Governments	0	0	0	0	0
Credit institutions	0	0	0	0	0
Other financial sector	70	2	12	3	87
Non-financial companies	237	22	22	9	291
Retail customers	1,486	45	49	42	1,622
Total	1,794	69	83	54	2,000

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

*V.2.3.2.3- Interbank loans**

Interbank loans by geographic region

Interbank loans by geographic region	12/31/2016	12/31/2015
France	80.5%	79.2%
Europe, excluding France	13.4%	13.3%
Rest of the world	6.0%	7.5%

Source: Counterparty Financial Information Department. Banks only.

Interbank loans by geographical area are broken down by the country of residence of the borrowing establishment and do not take equities, derivatives, repurchase agreements and securitization into account.

At year-end 2016, exposures mainly concerned European banks, in particular French and German banks. The weight of interbank loans located in Europe and primarily in France increased, while the weight of loans in other countries decreased.

Structure of interbank exposure by internal rating	Equivalent external rating	12/31/2016	12/31/2015
A +	AAA/AA+	6.0%	11.3%
A -	AA/AA-	53.6%	51.0%
B +	A+/A	15.8%	13.6%
B -	A-	15.6%	18.2%
C and below (excluding default ratings)	BBB+ and below	8.9%	5.8%
Not rated	-	0.0%	0.0%

Source: Counterparty Financial Information Department. Banks only. Excluding entities in standard method.

Interbank exposure is broadly concentrated in the highest internal rating notches, with 91% of exposures rated between A+ and B- at end-2016 (or an external equivalent of AAA to A-), compared with 94.2% in 2015.

Sovereign risk

Sovereign risk is presented in Note 7c to the consolidated financial statements of BFCM Group.

Debt securities, 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 securities (€ million, year-end principal balances)	Carrying amount as of Dec. 31, 2016	Carrying amount as of Dec. 31, 2015
Debt securities	**103,257**	**111,525**
Of which, government securities	16,680	26,104
Of which, bonds	86,577	85,420
Derivative instruments	**9,183**	**9,224**
Repurchase agreements & securities lending	**15,103**	**14,319**
Gross exposure	**127,543**	**135,069**
Provisions for impairment of securities	-48	-65
Net exposure	**127,495**	**135,004**

Source: Accounting.

V.2.3.2 - Asset-liability management (ALM) risk

V.2.3.2.1 - Organization

The Crédit Mutuel-CM11 Group's asset-liability management functions are centralized.

The Crédit Mutuel-CM11-CIC Group's decision-making committees for matters concerning liquidity and interest-rate risk management are as follows:

- The ALM technical committee manages liquidity and interest rate risk in accordance with the risk limits applied within the Crédit Mutuel-CM11-CIC group. The committee is composed of the heads of the relevant business lines (finance department, asset-liability management, refinancing and treasury, risks, marketing) and meets at least on a quarterly basis. The indicators compiled at consolidated level and by entity are static and dynamic liquidity gaps (normal and Basel III scenarios), static interest-rate gaps and sensitivity of net banking income and net asset value. All limit breaches are examined by the ALM technical committee.
- The ALM monitoring committee comprises the senior executives of the Crédit Mutuel-CM11 Group together with representatives of the treasury, financial, asset-liability management and risk functions; it examines changes in risks related to asset-liability management and validates the risk limits and alert thresholds. The ALM monitoring committee validates breaches (twice a year).

Hedging decisions are aimed at maintaining the risk indicators (net interest income sensitivity and gaps) within the limits set for Crédit Mutuel-CM11 as a whole and below the alert thresholds for each of the banks comprising the Group. The hedges are assigned to the banks concerned, in accordance with their needs.

ALM analyses are also presented every quarter to the Group risk committee. Interest-rate risk and liquidity risk are also reviewed every six months by the boards of directors of the CF de CM, FCMCEE, BFCM and other Crédit Mutuel-CM11 Group entities (CIC regional banks, BECM, etc.).

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.

V.2.3.2.2 - Interest-rate risk management

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.).

The Group uses a combination of macro hedging and specific hedging to manage residual interest-rate risk arising from all operations connected with the banking network's business, as well as customer loans involving a material amount or an unusual structure. Risk limits are set in relation to the annual net banking income of Crédit Mutuel-CM11 Group. Each Crédit Mutuel-CM11 Group bank is subject to the same alert threshold levels as the limits applicable to the Crédit Mutuel-CM11 Group scope as a whole. The technical committee decides which hedges to 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 on a quarterly basis.

1 - **The static fixed-rate gap**, corresponding to items in the balance sheet, assets and liabilities, whose cash flows are considered to be certain over a horizon of one month to fifteen years, governed by limits or alert thresholds from three to seven years, measured by a net banking income ratio.

2 - **The static "saving rate and inflation" gap** over a horizon of one month to fifteen years.

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

Several interest rate scenarios are analyzed:

Normalized interest rate shocks:

1 A 100bp increase in the yield curve (used for limits/alert thresholds)

2 A 100bp decrease in the yield curve, with no floor rate (used for limits/alert thresholds)

3 A 200bp increase in the yield curve

4 A 200bp decrease in the yield curve with a floor rate of 0%

5 A steepening of the yield curve due to a 25bp increase in long-term rates every six months over two years (cumulated shock of 100bp), with short-term rates remaining stable

Stress scenarios:

6 Flattening/inversion of the yield curve due to a 50bp increase in short-term rates every six months over two years (cumulated chock of 200bp) with regulated rates fixed at the first two of these rate revisions (over one year)

7 Flattening of the yield curve due to a fall in long-term rates (a yield curve close to zero)

Assumptions used in funding the liquidity gap: two scenarios are looked at in funding the liquidity gap:

- Funding at 100% of the three-month Euribor
- Alternative funding applicable to relevant scenarios (non-linear and non-progressive evolution of interest rate scenarios), based on a distinct indexation of positions in stock (indexation at short-term rates maintained), of positions resulting from new business (based on the intrinsic characteristics of the underlying positions).

At December 31, 2016, the net interest income of BFCM Group and the Crédit Mutuel-CM11 Group, under the core scenario, was exposed to a drop in interest rates (scenario 2). For these two scopes of consolidation, interest sensitivities were as follows:

- For the BFCM Group scope of consolidation (excluding the refinancing activity), the sensitivity was -€112.4 million in year 1 and -€112.6 million in year 2, equivalent to -1.6% and -1.6% respectively of forecast net banking income for each year.

- For the Crédit Mutuel – CM11 Group scope (commercial bank and holding company), the sensitivity was -0.2% of NBI in year 1 (-€16.4 million in absolute value) and -0.9% of NBI in year 2, i.e. -€90.9 million in absolute value. The risk limits (3% of net banking income in one year and 4% in two years) were complied with.

NBI sensitivity indicators of the Crédit Mutuel - CM11 Group (commercial bank and holding company):

Normalized interest rate shocks	**Sensitivity as a % of NBI**		**Limit**	
	1 year	**2 years**	**1 year**	**2 years**
Scenario S1	**0.84%**	**1.80%**	**3%**	**4%**
Scenario S2	**-0.16%**	**-0.89%**	**3%**	**4%**
Scenario S3	**1.26%**	**3.68%**		
Scenario S4	**0.90%**	**-2.51%**		
Scenario S5	**0.19%**	**2.09%**		

Scenario S1 constant balance sheet	**0.43%**	**0.99%**
Scenario S2 constant balance sheet	**0.23%**	**-0.14%**

Stress scenarios	**Sensitivity as a % of NBI**	
	1 year	**2 years**
Scenario S6	**0.17%**	**-3.07%**
Scenario S6 bis (*)	**0.59%**	**1.46%**
Scenario S7	**-0.66%**	**-2.67%**
Scenario S7 bis (*)	**-0.62%**	**-2.10%**

(*): alternative funding rule

4 - **Sensitivity of Net Asset Value (NAV)** arising from the application of the Basel II indicator:

Since December 31, 2015, the sensitivity of Basel II net asset value (NAV) has been calculated in accordance with the EBA's recommendations:

- Exclusion of capital and maturity of fixed assets on d+1
- Discounting of flows using a swap rate curve (with no liquidity spread and no credit spread)
- As the average duration of non-maturing deposits is less than five years, the five-year cap required by regulation is irrelevant.

By applying a uniform 200bp increase or decrease to the whole balance sheet (with a floor of 0% for market rates), it is possible to measure, as a percentage of equity, the change in the net discounted value of the main balance sheet items based on various scenarios.

The Crédit Mutuel–CM11 Group shows overall net asset value sensitivity (excluding equity) to a 2% fall in interest rates of -1.17% (-€433 million in absolute terms) in its Basel III capital ratio, for a Basel II limit of 20%.

Sensitivity of net asset value	As a % of total equity
Sensitivity + 200 bp	+0,6 %
Sensitivity - 200 bp	-1,2 %

MACRO-AGGREGATE	Amount outstanding at Dec. 31, 2016	1 year	2 years	5 years	10 years
INTERBANK ASSETS	75,499	6,134	4,783	2,452	606
LOANS	185,225	106,081	83,464	42,033	14,042
SECURITIES	14,492	2,152	1,655	799	95
LONG-TERM INVESTMENTS	22,055	19,675	17,979	14,991	10,017
OTHER ASSETS	11,379	2	2	1	1
Total assets	**308,651**	**134,044**	**107,882**	**60,276**	**24,761**
INTERBANK LIABILITIES	-93,305	-10,010	-8,324	-1,649	-909
DEPOSITS	-157,936	-69,726	-58,838	-38,093	-16,309
SECURITIES	-35,389	-24,421	-21,480	-13,527	0
SHAREHOLDERS' EQUITY	-26,318	-25,005	-23,693	-19,757	-13,200
OTHER LIABILITIES	-13,592	-28	-27	-26	-26
Total liabilities	**-326,539**	**-129,190**	**-112,362**	**-73,053**	**-30,444**
Total statement of financial position	**-17,889**	**4,854**	**-4,480**	**-12,777**	**-5,683**
OFF-STATEMENT OF FINANCIAL POSITION ITEMS - FINANCIAL ASSETS	72,549	24,801	23,464	13,531	1,143
OFF-STATEMENT OF FINANCIAL POSITION ITEMS - FINANCIAL LIABILITIES	-73,452	-26,420	-21,505	-6,170	-1,482
Total off-statement of financial position	**-903**	**-1,620**	**1,959**	**7,361**	**-339**
Grand Total	**-18,792**	**3,234**	**-2,522**	**-5,416**	**-6,022**

* Unaudited figures by the auditors

V.2.3.2.3 Liquidity risk management

The Crédit Mutuel-CM11 Group attaches great importance to the management of liquidity risk.

The Crédit Mutuel-CM11 Group’s liquidity risk management mechanism is based on the following procedures:

- compliance with the liquidity coverage ratio, which is representative of the Group’s short-term liquidity situation.
- calculating the static liquidity gap, based on contractual and agreed maturities and incorporating off-balance sheet commitments; transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to five years and are subject to alert thresholds or limits.
- calculating the liquidity gap in a Basel III stress scenario, whose estimated future cash flows are based on net stable funding ratio (NSFR) weightings. transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to seven years and are subject to limits and alert thresholds in order to secure and optimize the refinancing policy.
- calculating the dynamic liquidity gap over five years, incorporating new loans granted, thereby facilitating measurement of future financing needs associated with the development of commercial activity.
- the ALM Technical Committee decides on the liquidity hedges to be put in place in light of all these indicators. These hedges are allocated pro rata to the cumulative needs.

Breakdown of the statement of financial position by residual maturity of future contractual cash flows (principal)

Interest is not taken into account in these tables.

2016 (€ millions)	≤ 1 month (a)	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 year ≤ 5 years	> 5 years	No fixed maturity (b)	**Total**
	Residual contractual maturities							
Assets								
Financial assets held for trading	718	667	2,032	2,316	3,645	2,088	670	12,136
Financial assets at fair value through profit or loss	35	1	1	0	2,177	49	52	2,315
Derivatives used for hedging purposes (assets)	202	124	457	616	1,838	1,619	0	4,856
Available-for-sale financial assets	2,294	2,593	4,446	4,461	11,181	6,895	1,728	33,598
Loans and receivables (including finance leases)	47,184	17,697	27,429	23,751	63,542	84,643	498	264,746
Held-to-maturity investments	0	0	3	0	9	0	0	12
Other assets	7,610	4,127	482	90	110	406	195	13,020
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	0
Financial liabilities held for trading	141	160	58	910	2,851	2,174	120	6,415
Financial liabilities at fair value through profit or loss	0	47	24	0	0	0	0	71
Derivatives used for hedging purposes (liabilities)	271	133	415	808	2,310	993	0	4,930
Financial liabilities carried at amortized cost	172,760	34,383	52,143	23,564	41,914	32,346	1,705	358,815
Of which, debt securities (including bonds)	*8,588*	*17,312*	*34,314*	*8,123*	*22,428*	*21,539*	*0*	*112,304*
Of which, subordinated debt	*0*	*0*	*0*	*1,004*	*1,008*	*3,161*	*2,187*	*7,360*

Excluding insurance businesses

(a) Including accrued interest income and expense and securities given and received under repurchase agreements.

(b) Including undated debt securities, equities, non-performing loans, loans in litigation and impairment losses.

For marked -to-market financial instruments, also includes differences between fair value and redemption value.

2015 (€ millions)	≤ 1 month (a)	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 year ≤ 5 years	> 5 years	No fixed maturity (b)	**Total**
	Residual contractual maturities							
Assets								
Financial assets held for trading	1,407	370	3,698	2,560	3,566	1,837	49	13,487
Financial assets at fair value through profit or loss	74	35	0	1	307	48	1,792	2,256
Derivatives used for hedging purposes (assets)	8	0	4,533	114	350	186	4	5,195
Available-for-sale financial assets	2,563	5,439	10,068	4,452	9,627	7,068	1,680	40,897
Loans and receivables (including finance leases)	71,135	16,775	23,168	27,539	56,109	79,976	1,789	276,492
Held-to-maturity investments	0	0	591	0	9	0	0	600
Other assets	7,147	4,404	1,666	5	25	5	681	13,933
Liabilities								
Central bank deposits	0	0	0	0	0	0	0	0
Financial liabilities held for trading	1,304	97	1,093	644	1,844	2,048	129	7,159
Financial liabilities at fair value through profit or loss	50	121	73	0	0	0	0	243
Derivatives used for hedging purposes (liabilities)	19	28	2,538	292	2,363	488	5	5,733
Financial liabilities carried at amortized cost	148,751	29,015	49,817	24,118	43,393	30,076	4,496	329,666
Of which, debt securities (including bonds)	*6,459*	*15,748*	*27,097*	*13,480*	*20,675*	*21,717*	*1*	*105,176*
Of which, subordinated debt	*16*	*0*	*800*	*0*	*2,000*	*2,086*	*1,839*	*6,741*

Excluding insurance businesses

(a) Including accrued interest income and expense and securities given and received under repurchase agreements.

(b) Including undated debt securities, equities, non-performing loans, loans in litigation and impairment losses.

For marked -to-market financial instruments, also includes differences between fair value and redemption value.

Comments:

They show the carrying amounts in IFRS based on the prudential scope. The following maturity rules are used:

– the contractual principal repayment durations;

– equities have an unspecified duration similar to perpetual loans and securities;

– accrued interest income and expenses are broken down according to their actual contractual duration and are entered in the "< 1 month" column by default;

– provisions are broken down in line with the assets concerned;

– non-performing loans are broken down according to their contractual date when this has not lapsed and are entered under the "perpetual" column when it has lapsed, similar to loans in litigation;

– derivatives: their market value is entered under the corresponding flow on the contract end date;

When it is not possible provide an accurate maturity, the carrying amount is stated in the "perpetual" column.

V.2.3.2.4 - Exchange rate risk

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

on a daily basis for commercial transfers and cash flows, both income and expenses, denominated in foreign currencies.

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 a result, 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.

A specific foreign currency position limit is assigned only to CM-CIC Marchés' capital markets business.

The structural foreign currency positions resulting from foreign currency allowances to foreign branches are not hedged.

Foreign exchange gains or losses are recognized in the asset or liability translation accounts and 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.

V.4.3.2.5 – Equity risk

BFCM Group has exposure to various types of equity risks.

Assets measured at fair value through profit or loss (note 5a of the notes to the consolidated financial statements)

Financial assets held in the trading portfolio amounted to €666 million as at December 31, 2016 compared with €986 million at December 31, 2015 and solely concerned CIC's capital markets business.

Equities accounted for using the fair value option through profit or loss (€12,959 million at the end of 2016) concern:

- €10,997 million held by the GACM insurance activity within the framework of unit-linked policies in the insurance business, to ensure consistency with the treatment of liabilities.
- €1,962 million under the fair value option, mainly in relation to the private equity business line.

Available-for-sale financial assets

Financial assets classified as available-for-sale and various long-term investments amounted to €9,471 million and €2,880 million respectively (see Note 7 to the consolidated financial statements).

Long-term investments included:

- investments in non-consolidated companies totaling €2,205 million and in subsidiaries and associates totaling €414 million: the main holdings concern Desjardins (€77 million), Foncières des Régions (€499 million) and CRH (Caisse de Refinancement de l'Habitat) for €118 million;
- other long-term securities amounting to €261 million.

Impairment of equity investments:

The Group reviews its equity investments periodically 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.

Net impairment charges through profit or loss totaled €21 million in 2016, compared with net reversals of €98 million in 2015.

At December 31, 2016, the acquisition value of impaired stocks was €4,513 million and the corresponding impairment provision was €1,314 million. Their market value was €3,199 million.

V.2.3.2.6 - Private equity

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

The portfolios comprise around 400 investment lines, relating mainly to small- and medium-sized enterprises.

Risks related to the private equity business

	12/31/2016	12/31/2015
Number of listed investment lines	35	34
Number of unlisted, active investment lines	326	354
Revalued proprietary portfolio (€m)	47	47
Managed funds (€m)	2,183	2,078
Number of managed funds	234	302

Source: risk management

V.2.3.3 - Market risk

V.2.3.3.1 - General structure

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

These entities are organized around three business lines: Group treasury (transactions which are mainly recognized on BFCM's balance sheet), commercial, and fixed-income, equity and credit products (recognized on CIC's balance sheet). Management of these three business lines is "sound and prudent."

Group treasury

This business line is organized into three teams, one of which is dedicated to treasury management and centralizes all of the Crédit Mutuel-CM11 Group's refinancing activities. It seeks to diversify its investor base in Paris and London, and now also in the United States (US 144A format) and Asia (samurai format), and its refinancing tools, including Crédit Mutuel-CIC Home Loan SFH. Another team is dedicated to collateral management and a third team focuses on settlement activities (the various risks of which are integrated into the business lines risks).

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

In addition to the pure refinancing positions, this business line also has a portfolio of securities classified as available-for-sale, which are held mainly for use in the event of a liquidity crisis.

Commercial

On January 1, 2016, the CM-CIC Securities teams were integrated into CM-CIC Marchés to create CM-CIC Market Solutions, a comprehensive platform of market solutions for customers on all primary and secondary markets that also offers depository solutions (UCI depository and securities account keeping). This notably enables the Group to better assist customers with their market financing.

The sales teams draw on a unified range of tools and products. They are organized into five activities. The global fixed-income/forex/commodities execution solutions team, which operates from Paris or within the regional banks, and is responsible for marketing OTC interest rate and forex hedging products. It aims to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments. The global execution Solutions offering was also enhanced with new equity/bond/derivative underlyings following the absorption of CM-CIC Securities. In parallel, the execution teams are assisted by the solution sales teams.

The investment solutions team markets investment products such as Libre Arbitre and Stork EMTN, resulting directly from the expertise of investment business and aimed at the customers of the various Crédit Mutuel and CIC's networks, institutional clients, business clients and individual customers. In the event of partial marketing or early exit by clients, SP may be required to temporarily carry securities which gives rise to capital consumption.

The three other commercial activities do not give rise to any market or credit risk. They include global research, primary market solutions and custody solutions.

Fixed-income/equities/credit investment

This business line is organized around desks specialized in investments in equities/hybrid instruments, spreads and fixed income. These activities mainly involve purchases and sales of financial securities acquired with the intention of holding them for a long period of time, as well as trading in related financial instruments. These activities are called upon to create value in a disciplined risk environment, to drive commercial development and to provide expertise or services to other Group entities.

V.2.3.3.2 - Internal control structures

In 2016, the internal control function continued to improve its organization and monitoring methodologies. It continued to update its procedures to take into account a unified system of limits incorporating the market activities of the branches and to present the CRD4 regulatory changes, in particular the stressed VaR and IRC as well as risk measurement in VaR/stress tests, as part of the "market risk internal model" project, and regulatory risk measurement (CAD and European Capital Adequacy under Basel III standards).

All methodologies are formalized in a "body of rules." Regular updates throughout the year include the introduction of new products and the improvement of the monitoring of risk measurement, with a complete formal validation at least once a year.

Capital markets activities are organized as follows:

• they are under the responsibility of a member of Executive Management;

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

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

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

- the risks and results control team validates production, monitors results on a daily basis and ensures compliance with limits, and in 2016 took over the control of operational risks,

- the post-market accounting and regulatory team is responsible for reconciling accounting and economic results, for providing oversight on regulatory matters,

- the CM-CIC Marchés legal and tax team is responsible for first-level legal and tax compliance;

• second-level controls are organized around:

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

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

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

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

• the Crédit Mutuel-CM11 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 executive officer of CIC and BFCM, the front office managers, the post-market team managers, and the manager of the risk department and the Group permanent control department. It approves the operational limits established as part of the general limits set by the boards of directors of CIC and BFCM, which are kept informed on a regular basis of the risks and results of these activities. The Market Risk Committee also approves the general principles of the “market risk internal model.”

V.2.3.3.3 - Risk management*

The system used to set exposure limits for market risk is based on:

• an overall limit for regulatory capital (CAD/European capital adequacy), based on a standard internal measurement close to the regulatory value, broken down by desk, and by VaR;

• internal rules and scenarios (CAD risks, historical VaR and stress tests), which convert exposures into potential losses.

The limits system covers various types of market risk (interest-rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk for each activity.

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 decision-makers with an accessible overview of capital markets exposures.

The capital allocated in 2016 for the fixed-income, equity, credit and commercial business lines are stable in relation to 2015. At the end of 2016, the limits on these activities were reconfirmed for 2017. The calculation of a capital allocation for the credit valuation adjustment (CVA) charge is part of the risk monitoring procedure.

The Crédit Mutuel-CM11 value at risk was €5.2 million at year-end 2016. A general stress test policy and a stress test mechanism was introduced as part of risk management, with an escalation procedure in the event that limits are exceeded.

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

CM-CIC Marchés’ overnight treasury position must not exceed a limit which has been confirmed at €7 billion for 2017, with an intermediate warning limit, both of which have been set by the department and approved by the boards of directors of CIC and BFCM. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal CM-CIC Marchés trading desk risks are as follows:

Refinancing

BFCM’s market risks mainly relate to the HQLA portfolio. Such risks are calculated based on the CAD and European Capital Adequacy requirement. In 2016, the overall consumption of risk capital in CNC fell from €121.7 million to €108.5 million with a peak of €133.4 million in April. The variations stem from a sharp fall in overall interest rate risk (use of derivatives opposite short-term buffer securities), which was slightly offset by an increase in the European capital adequacy ratio.

Hybrid instruments: consumption of risk capital was €72.9 million on average in 2016 and ended the year at €64.6 million. The stock of convertible bonds reached €1.9 billion at the end of 2016 (€2 billion in 2015).

Credit: these positions correspond to securities/CDS (credit default swaps) arbitrage or to ABS (asset backed securities).

For the corporate and financial institution loan portfolio, the consumption of capital averaged €54 million at the start of the year and at the end of 2016 was €45.1 million. This decrease was due to the maturing of CDS and iTraxx tranches. Concerning the ABS portfolio, consumption of risk capital was about €43 million (€35.7 million at year end), due to prudent risk management in peripheral countries and scaled-back positions in these countries.

M&A and various actions: consumption of risk capital was €43.9 million on average in 2016, reaching a maximum of €58.2 million in September. This rise followed the change in outstandings and the removal of corporate actions from M&A. Outstandings in respect of this activity therefore totaled €230 million in December 2016 (with a maximum of €509 million in September), compared with €391 million at year-end 2015.

Fixed income: the positions mainly relate to directional investments and yield-curve arbitrage, typically with underlying government securities, mostly European. Positions on peripheral countries are very limited. With respect to Italy, outstandings stood at around €520 million at year-end and have remained low since the redemption of €1.7 billion in September 2014. Total government bond investments stood at €2.8 billion at year-end 2015 versus €2.7 billion at year-end 2016), €1.8 billion of which in respect of France. A HQLA portfolio, held to manage the buffer and mainly invested in sovereign debt, is held in BFCM's accounts.

V.2.3.3.4 – Model-based risk

CM-CIC Marché's Risks and Results Control (RRC) team is in charge of developing the specific models used for valuing its positions. In 2016, there were four such models. These models are governed by a general policy validated annually by the Market Risks Committee. It provides for development and documentation by the RRC team, monitoring of their performance, also prepared by the RRC team and reviewed by the Permanent Control department and Group Risks division for presentation to the Markets Risks Committee. These models are also included in the audit program undertaken by the Group's Periodic Controls team.

V.2.3.3.5 - Credit derivatives

These products are used by CM-CIC Marchés and are recognized in its trading portfolio.

CM-CIC Marchés monitors risk limits by issuer or counterparty for all types of products. Outstanding amounts are monitored on a daily basis and exposure limits are reviewed periodically by the Lending Committees and Capital Markets Risk Committees.

V.2.3.3.6 – Securitization

During 2016, Group securitization investments rose by €301 million (up 4.5%), and represented a carrying amount of €7 billion as of December 31, 2016.

Securitization portfolios are managed on a prudent basis and mainly comprise senior securities with high credit ratings. The increase in investments in 2016, consisting mainly of AAA securities, further improved the overall quality of the portfolios, as 78% of securities are rated AAA (versus 74% in 2015) and 13% between A- and AA+. The portfolios are diversified, both in terms of type of exposure (RMBS, CMBS, CLO, ABS, auto loans, consumer loan ABS, credit card ABS) and geographical exposure (US, Netherlands, UK, France, Italy, Germany).

Investments are undertaken within precise limits, which are validated by the Group lending department and reviewed at least once a year.

Market activity investments, which represent 90% of securitization investments, must also comply with a body of rules specific to CM-CIC Marchés, which strictly govern the portfolio investments and risks.

Regulatory requirements for securitizations have been regularly strengthened since the last financial crisis. Accordingly, specific procedures were implemented. They allow for the monitoring of end-tranches and the ongoing verification of information on the performance of underlying exposures.

Stress tests are also undertaken on the portfolios each month. An asset quality review (AQR) was carried out by the European Central Bank in 2014 and completed by stress tests in 2014 and again in 2016 with very satisfactory results.

Breakdown of securitization investments by portfolio (in millions of euros)	2016	2015
Banking portfolio	6,631	6,154
Trading portfolio	417	594
Total	**7,048**	**6,748**

Breakdown of Inv. Grade and Non-Inv. Grade (as %)	2016	2015
Investment Grade category (of which 74% AAA)	94%	92%
Non-Investment Grade category	6%	8%
Total	**100%**	**100%**

Geographic breakdown of investments	2016
USA	44.66%
Germany	12.96%
United Kingdom	7.68%
France	7.27%
Netherlands	7.23%
Italy	6.45%
Spain	2.45%
Portugal	0.78%
Norway	0.68%
Finland	0.55%
Ireland	0.45%
Belgium	0.15%
Greece	0.14%
Australia	0.02%
Other countries	8.45%
TOTAL	100%

The Group has very little exposure to the most weakened EU countries (Ireland: 0.5%; Portugal: 0.8%; Greece: 0.1%). Moreover, there is closer monitoring of Non Investment Grade investments and, in the case of Greece, provisions have been made.

The New York branch holds a residual portfolio of American non-investment-grade RMBS dating from before 2008 in the amount of €367 million managed on a run-off basis. All expected losses on this portfolio are provisioned in full.

V.2.3.4 – European capital adequacy ratio*

Under Article 8 of Regulation (EU) 575/2013, the following subsidiaries are exempt from monitoring on an individual or sub-consolidated basis: BFCM, Crédit Mutuel - CIC Home Loan SFH and CIC Iberbanco. The other regulated entities are subject to monitoring on an individual or sub-consolidated basis.

The information on the CM11 Group’s solvency ratio risks is presented in the chapter “Information on Pillar 3 of the Basel Accords as transposed in European regulations”.

V.2.3.5 – Operational risk*

In the context of the Basel II capital adequacy regulations, the Crédit Mutuel-CM11 Group has implemented a comprehensive operational risk management system under the responsibility of the management bodies, with a single set of risk standards and shared quantitative evaluation methods.

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 used to measure and monitor operational risk is based on a common platform applied throughout the Crédit Mutuel-CM11 Group using an approach for identifying and modeling risks so as to calculate the level of capital required to be held in respect of operational risk.

Since January 1, 2010, the Crédit Mutuel-CM11 Group has been authorized to use its advanced measurement approach to calculate its capital adequacy requirements in respect of operational risk. This authorization has been extended to COFIDIS France since July 1, 2014. For Targobank Germany, the Crédit Mutuel Group received notification from the ECB on December 19, 2016 authorizing it to extend the AMA scope subject to the implementation of the ECB’s recommendations.

Since June 30, 2012, the Group has also had authorization to deduct expected losses from its capital adequacy requirement and to take into account insurance for the consolidated group excluding the foreign subsidiaries, Cofidis and Banque Casino.

V.2.3.5.1 - Main objectives

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

• to contribute to the group’s effective management by controlling risks and the associated costs;

• from a human perspective, to protect staff, develop responsibility, autonomy and control, and capitalize on expertise group-wide;

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

• from a regulatory standpoint: respond effectively to the Basel II requirements and the requests of the supervisory authorities, draw on the internal control system (decree of November 3, 2014 on internal control), optimize emergency plans and business continuity plans for essential activities and adapt financial reporting (Pillar 3 of Basel II).

V.2.3.5.2 – Role and position 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 management procedure and verifies that it is consistent with the national risk management policy. It is coordinated by the regional operational risk manager.

Measurement and control procedure

For modeling purposes, the Group relies mainly on the national database of internal losses, 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:

• preventive 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 severity 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 emergency and business continuity plans: rescue, continuity and recovery plans.

Reporting and general oversight

The Group monitors the application of the operational risk management policy and risk profile using key indicators, thresholds and warnings covering the assessment of potential risks, changes in loss experience and the effectiveness of risk-reduction and financing measures. Relevant senior executives and supervisory bodies are regularly provided with information on these issues, including the requirements of the decree of November 3, 2014.

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 loss data: procedures laying down the rules for collecting information and controlling internal losses;

• measurement system: procedures concerning, in particular, probabilistic modeling and modeling based on the work of experts, the rules for gathering key risk indicators (KRI), the basis for the allocation of capital adequacy requirements and COREP reports.

Emergency and Business Continuity Plans (EBCP)

Emergency and Business Continuity Plans are part of the back-up measures put in place by the Group to limit any losses resulting from operational risk.

"EBCP 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 EBCP relate to a given banking function that is associated with one of the business lines identified in accordance with Basel II;

• cross-functional EBCP relate to activities that constitute business support services (logistics, HR and IT issues).

Plans can be split into three components:

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

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

• back-on-track plan: this is prepared shortly after the business continuity plan kicks in.

Crisis management and its organization

Crisis management procedures at Group level and at regional level cover the most efficient organization and communications systems for handling 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, 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;

• a crisis liaison team for each business line, responsible for coordinating operations on the ground together with the crisis unit. The main focus of the team's work is implementing EBCP until the situation returns 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:

• insuring severe or major risks that can be insured, and developing self-insurance for the Group for amounts lower than deductibles and for intra-group risks;

• insuring frequency risks when justified or self-insuring them through provisions in the operating account;

• severe non-insurable risks and the non-insured balance are covered by prudential equity reserves;

• major risks arising from interbank exchange and payment systems are covered by liquidity reserves set up and allocated on an individual system basis.

The Group is insured against damage to property and has overall insurance for banking risks, fraud, and professional third-party liability, which it intends to use in order to reduce consumption of regulatory equity for operational risks.

Training

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

BFCM Group's operational risk loss experience

In 2016, total operational losses amounted to €153 million, including €93.8 million of actual losses and €59.2 million of net provisions in respect of prior-year losses.

This total breaks down as follows:

• legal risk: €75.6 million;

• fraud: €67.7 million;

• human/procedural error: €10.7 million;

• industrial relations: -€10.5 million;

• natural disasters and system malfunctions: €9.5 million.

Other risks

Legal risks

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

Industrial and environmental risks

Industrial and environmental risks are included in operational risks and are analyzed from the perspective of system malfunctions and the occurrence of natural disasters (100-year events, floods, earthquakes, pollution, etc.), their impact on the business and means of prevention and protection to be put in place, notably crisis management and EBCP.

V.3 - BFCM Group consolidated financial statements

Balance Sheet - Assets

€ million	12.31.2016	12.31.2015 restated accounts *	Notes
Cash and amounts due from central banks and post office banks	59 950	9 853	4a
Financial assets at fair value through profit or loss	26 927	26 392	5a, 5c
Derivatives used for hedging purposes	4 856	5 195	6a, 5c, 6c
Available-for-sale financial assets	96 597	100 324	7a, 5c
Loans and receivables due from credit institutions	53 138	86 879	4a
Loans and receivables due from customers	213 329	190 903	8a
Remeasurement adjustment on interest-rate risk hedged portfolios	604	791	6b
Held-to-maturity financial assets	10 101	11 385	9
Current tax assets	797	596	13a
Deferred tax assets	947	916	13b
Accrued income and other assets	13 666	14 509	14a
Non-current assets held for sale	0	116	3e
Investments in associates	2 028	2 455	15
Investment property	1 903	1 834	16
Property, plant and equipment	1 846	1 870	17a
Intangible assets	566	700	17b
Goodwill	4 088	3 932	18
Total assets	**491 344**	**458 650**	

Balance sheet - Liabilities

€ million	12.31.2016	12.31.2015 restated accounts *	Notes
Financial liabilities at fair value through profit or loss	11 279	12 859	5b, 5c
Derivatives used for hedging purposes	4 930	5 733	6a,5c,6c
Due to credit institutions	55 474	49 290	4b
Due to customers	178 256	162 041	8b
Debt securities	112 304	105 176	19
Remeasurement adjustment on interest-rate risk hedged portfolios	-573	-676	6b
Current tax liabilities	456	389	13a
Deferred tax liabilities	1 163	1 018	13b
Accrued expenses and other liabilities	9 995	11 500	14b
Liabilities related to non-current assets held for sale	0	130	3e
Technical reserves of insurance companies	81 547	77 229	20
Provisions	2 235	1 824	21
Subordinated debt	7 360	6 741	22
Shareholder's equity	**26 918**	**25 394**	
. Shareholder's equity - Group share	**22 826**	**21 657**	
- Subscribed capital and issue premiums	6 197	6 197	23a
- Consolidated reserves	14 006	12 631	23a
- Unrealised or deferred gains and losses	968	1 287	23b
- Net income for the year	1 655	1 541	23a
. Shareholder's equity - Minority interests	**4 092**	**3 738**	
Total liabilities	**491 344**	**458 650**	

** Restated amounts compared to the financial statement established in 2015 due to a modification of accounting policy since 1st January 2016 for capitalisation reserve's calculation*

Consolidated income statement

€ million	12.31.2016	12.31.2015 restated accounts *	Notes IFRS
Interest income	12 337	12 844	25
Interest expense	-8 357	-9 014	25
Commission income	3 347	3 254	26
Commission expense	-997	-1 004	26
Net gain/loss on financial instruments at fair value through profit or loss	903	676	27
Net gain/loss on available for sale financial assets	684	412	28
Gains on other activites	12 798	13 188	29
Losses on other activites	-10 885	-11 118	29
Net banking income	**9 830**	**9 239**	
Operating expense	-5 465	-5 172	30a, 30b
Depreciation	-321	-286	30c
Gross operating income	**4 043**	**3 781**	
Cost of risk	-749	-696	31
Operating income	**3 295**	**3 085**	
Share of earning in associates	-122	59	15
Net gain /loss on other assets	13	-14	32
Goodwill	-187	-90	33
Net income before tax	**2 999**	**3 039**	
Income tax	-1 100	-1 142	34
Gain / loss on discontinued operations, net of tax	44	-23	3e
Net income after tax	**1 943**	**1 875**	
Of which minority interests	288	334	
Net income less minority interests	**1 655**	**1 541**	
Earnings per share (€)*	**48,99**	**47,24**	**35**

** basic and diluted earnings per share were identical*

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

€ million	12.31.2016	12.31.2015 restated accounts *	Notes IFRS
Net income	**1 943**	**1 875**	
Translation adjustments	-63	79	
Remeasurement of available-for-sale financial assets	-108	172	
Remeasurement of hedging derivative instruments	1	-2	
Share of unrealized or deferred gains and losses of affiliates	3	-1	
Total recyclable gains and losses recognized directly in shareholders' equity	**-168**	**248**	
Remeasurement of non-current assets	0	0	
Actuarial gain or losses on post-employment defined benefits	-102	47	
Total non recyclable gains and losses recognized directly in shareholders' equity	**-102**	**47**	**23c,23d**
Net income and gains and losses recognized directly in shareholders' equity	**1 673**	**2 170**	
including group share	*1 336*	*1 866*	
including minority interests	*337*	*303*	

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

** Restated amounts compared to the financial statement established in 2015 due to a modification of accounting policy since 1st January 2016 for capitalisation reserve's calculation*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ million	Capital stock	Issue premiums	Reserves (1)	Gains and losses recognized directly in equity				Net income attributable to the Group	Shareholders' equity attributable to the Group	Minority interests	Total consolidated shareholders' equity
				Translation adjustments	Available-for-sale assets	Hedging derivative instruments	Actuarial gains and losses				
Shareholders' equity at December 31, 2014	**1,573**	**3,215**	**11,592**	**60**	**1,127**	**-23**	**-202**	**1,384**	**18,725**	**3,667**	**22,393**
Shareholders' equity at January 1, 2015	***1,573***	***3,215***	***11,592***	***60***	***1,127***	***-23***	***-202***	***1,384***	***18,725***	***3,667***	***22,393***
restatement of ACM's capitalisation reserve's calculation			***-185***						***-185***	***-72***	***-258***
Shareholders' equity at January 1, 2015 restated	**1,573**	**3,215**	**11,406**	**60**	**1,127**	**-23**	**-202**	**1,384**	**18,540**	**3,595**	**22,135**
Appropriation of earnings from previous year			1,384					-1,384	0		0
Capital increase	115	1,294							1,409		1,409
Distribution of dividends			-131						-131	-125	-256
Change in investments in subsidiaries not resulting in loss of control									0	-29	-29
Sub-total: movements arising from shareholder relations	**115**	**1,294**	**1,253**	**0**	**0**	**0**	**0**	**-1,384**	**1,279**	**-154**	**1,125**
Consolidated net income for the year								1,542	1,542	335	1,877
Change in fair value of available-for-sale financial assets and derivative instruments					195	1			197	-37	160
Change in actuarial gains and losses							45		45	2	47
Translation adjustments				83					83	5	88
Sub-total	**0**	**0**	**0**	**83**	**195**	**1**	**45**	**1,542**	**1,867**	**305**	**2,172**
Impact of acquisitions and disposals on minority interests			0						0	0	0
Other movements			-29			0			-29	-8	-37
Shareholders' equity at December 31, 2015	**1,688**	**4,509**	**12,631**	**143**	**1,322**	**-22**	**-157**	**1,542**	**21,657**	**3,738**	**25,395**
Appropriation of earnings from previous year			1,542					-1,542	0		0
Capital increase	0								0		0
Distribution of dividends			-140						-140	-122	-262
Change in investments in subsidiaries not resulting in loss of control									0	15	15
Sub-total: movements arising from shareholder relations	**0**	**0**	**1,402**	**0**	**0**	**0**	**0**	**-1,542**	**-140**	**-107**	**-247**
Consolidated net income for the year								1,655	1,655	288	1,943
Change in fair value of available-for-sale financial assets and derivative instruments					-161	1			-160	55	-105
Change in actuarial gains and losses							-100		-100	-2	-102
Translation adjustments				-59					-59	-4	-63
Sub-total	**0**	**0**	**0**	**-59**	**-161**	**1**	**-100**	**1,655**	**1,336**	**337**	**1,673**
Impact of acquisitions and disposals on minority interests									0	175	175
Other movements	0	0	-28	0	0	0	0	0	-28	-51	-78
Shareholders' equity at December 31, 2016	**1,689**	**4,509**	**14,006**	**84**	**1,162**	**-21**	**-256**	**1,655**	**22,825**	**4,092**	**26,918**

(1) Reserves as of December 31, 2016 include the legal reserve of €169 million, regulatory reserves for a total of €2,666 million and other reserves amounting to €11,170 million.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	2016	2015
Net income	1 943	1 877
Corporate income tax	1 100	1 120
Income before corporate income tax	**3 043**	**2 997**
+/- Net depreciation/amortization expense on property, equipment and intangible assets	340	294
- Impairment of goodwill and other non-current assets	188	133
+/- Net additions to/reversals from provisions and impairment losses	36	-99
+/- Share of net income/loss of associates	122	-59
+/- Net loss/gain from investing activities	-481	-28
+/- Income/expense from financing activities	0	0
+/- Other movements	4 394	4 261
= Total non-monetary items included in income before tax and other adjustments	**4 599**	**4 503**
+/- Cash flows relating to interbank transactions	405	4 851
+/- Cash flows relating to customer transactions	558	3 219
+/- Cash flows relating to other transactions affecting financial assets and liabilities	12 991	-9 727
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	-517	-392
- Corporate income tax paid	-1 206	-1 022
= Net decrease/increase in assets and liabilities from operating activities	**12 231**	**-3 072**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**19 873**	**4 428**
+/- Cash flows relating to financial assets and investments in non-consolidated companies	280	23
+/- Cash flows relating to investment property	-72	14
+/- Cash flows relating to property, equipment and intangible assets	-139	-263
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**69**	**-226**
+/- Cash flows relating to transactions with shareholders	-262	1 153
+/- Other cash flows relating to financing activities	-3 704	-1 042
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**-3 966**	**110**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**100**	**425**
Net increase (decrease) in cash and cash equivalents	**16 076**	**4 738**
Net cash flows from (used in) operating activities	19 873	4 428
Net cash flows from (used in) investing activities	69	-226
Net cash flows from (used in) financing activities	-3 966	110
Impact of movements in exchange rates on cash and cash equivalents	100	425
Cash and cash equivalents at beginning of year	**31 226**	**26 488**
Cash accounts and accounts with central banks and post office banks	9 853	23 282
Demand loans and deposits - credit institutions	21 373	3 206
Cash and cash equivalents at end of year	**47 301**	**31 226**
Cash accounts and accounts with central banks and post office banks	59 950	9 853
Demand loans and deposits - credit institutions	-12 649	21 373
CHANGE IN CASH AND CASH EQUIVALENTS	**16 076**	**4 738**

NOTES TO THE BFCM GROUP CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounting principles and methods

1.1 Accounting reference framework

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2016. These standards include IAS 1-41, IFRS 1-8 and 10-13, and any SIC and IFRIC interpretations adopted as of that date. These standards are available on the European Commission’s website at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm. Standards not adopted by the European Union have not been applied.

The financial statements are presented in accordance with the format recommended by Recommendation No. 2013-04 of the French accounting standards authority concerning IFRS financial statements. They are consistent with the international accounting standards as adopted by the European Union.

The information on risk management required by IFRS 7 is provided in a specific section of the management report entitled “CM11 Group's risk management.”

Standards and interpretations adopted since January 1, 2016

The amendments adopted by the European Union do not have a material impact on the financial statements. They relate mainly to:

- IAS 1 – Presentation of financial statements: the emphasis is on the relative importance, presented over two lines, in net income and gains and losses recognized directly in shareholders' equity, of the share of associates (distinction between the “recyclable” and “non-recyclable” shares);
- IFRS 2 – Share-based payment: the change concerns the concept of “vesting conditions,” which is now defined as a “performance condition” or as a “service condition”;
- IFRS 3 – Business combinations: the contingent consideration in a combination as a liability or equity instrument arises from application of IAS 32. Earn-outs that are not equity instruments must be measured at fair value at each reporting date, and changes in fair value must be recognized in profit or loss;
- IFRS 7 – Financial instruments: disclosures when a servicing contract represents a continuing involvement in a transferred asset;
- IFRS 8 – Operating segments: disclosures when segments are aggregated;
- IAS 24 – Related party disclosures: extension of the definition (to include management entities) and additional disclosures in the notes;
- IAS28/IFRS10/IFRS12: option that allows, under certain circumstances, interests in associates and joint ventures to be measured at fair value through profit or loss entity by entity.

IFRS 9 - Financial Instruments

IFRS 9 is to replace IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- classification and measurement of financial instruments (Phase 1),
- impairment of credit risks on financial assets (Phase 2), and
- hedge accounting, excluding macro-hedging (Phase 3).

Its application will become mandatory on January 1, 2018. Classification and measurement, as well as the new impairment model under IFRS 9, are applicable retrospectively by adjusting the opening balance sheet on the date of first-time adoption. There is no requirement to restate fiscal periods presented as comparative statements. The Group will therefore present its 2018 financial statements without a comparative statement for 2017 in the IFRS 9 format. An explanation of the portfolios’ transition between the two standards and the impacts on shareholders' equity will be included in the notes.

In the second quarter of 2015, the Group launched an initiative that is currently in the project stage; it brings together the various departments concerned (finance, risk, IT, etc.) and is structured around the "national consolidation" steering committee coordinated by the Confédération's Financial Management Department. Several working groups have been established for the project, based on the different phases and instruments (credit, securities and derivatives), with the work on impairment models under the responsibility of the CNCM Risks Department. The necessary IT developments and modifications began in 2016 and will continue in 2017.

This initiative will cover all of the Group's relevant activities, including insurance. The amendment to IFRS 4, published in September 2016, allows first-time adoption of IFRS 9 to be deferred or adjusted for these entities. However, the deferral approach does not, at this stage, apply to institutions that provide banking and insurance services (*bancassureurs*). Given the timetable for implementation of the standard and although discussions on this issue continue at the international and European level, the Group's insurance entities will apply IFRS 9 as of January 1, 2018.

Information by phase is presented below.

- Phase 1 - Classification and measurement

According to IFRS 9, the classification and measurement of financial assets will depend on the business model and contractual characteristics of the instruments, which could result in a different classification and measurement for certain financial assets than under IAS 39.

Loans, receivables and debt securities acquired will be classified:

- at amortized cost, if the business model involves holding the instrument in order to collect contractual cash flows, and if the cash flows are solely payments of principal and interest (analysis performed using the SPPI test);

- at fair value through equity, if the business model is to hold the instrument in order to collect contractual cash flows and to sell the assets when opportunities arise, and if the cash flows are solely payments of principal and interest. If these instruments are sold, the unrealized gains or losses previously recognized in equity will be recognized in profit or loss, as is currently the case under IAS 39, if they are classified as available-for-sale (AFS) assets;

- at fair value through profit or loss, if they are not eligible for the two previous categories or if the Group decides to exercise its option to classify them as such, in order to reduce accounting mismatches.

Equity instruments acquired (mainly shares) will be classified:

- at fair value through profit or loss; or

- using the fair value through equity option. If these instruments are sold, the unrealized gains or losses previously recognized in equity will not be recycled to profit or loss, contrary to current practice if they are recognized in AFS assets. Only dividends will be recognized in profit or loss.

Note that:

- derivatives embedded in financial assets will no longer be able to be recognized separately from the host contract;

- the provisions of IAS 39 on the derecognition of financial assets and liabilities remain unchanged in IFRS 9;

- the same holds true for the provisions relating to financial liabilities, with the exception of the recognition of changes in fair value, resulting from the own credit risk of liabilities designated under the fair value through profit or loss option. They will have to be recognized as unrealized or deferred gains or losses in equity, and not in profit or loss. The Group is marginally affected by the own credit risk issue.

The operational work conducted within the Group throughout 2016 sought to:

- finalize the instrument mapping, both with respect to interest rates and the different contractual clauses;

- define and begin the SPPI tests for the rates identified as risky (averaged, decorrelated);

- launch the initiative on documentation for the various instruments, at the national and regional level, for both the characteristics of the instruments and their business models.

At this stage, it is primarily units of UCITS and real estate funds (OPCIs) and certain convertible or structured bonds that will be reclassified at fair value through profit or loss; the impact of these reclassifications will be moderate. Work is being finalized on certain credits and securitization tranches.

- Phase 2 – Impairment

The section of IFRS 9 relating to credit risk impairment responds to the criticisms raised concerning the incurred credit loss model under IAS 39, i.e. that it causes accounting for credit losses to be delayed and the amounts of the credit losses recognized to be too low.

It allows provisioning for incurred credit losses to be replaced by provisioning for expected credit losses. Impairment provisions will be recognized, as regards financial assets for which there are no objective indications of losses on an individual basis, based not only on past losses observed but also on reasonable and justifiable cash flow forecasts.

This more forward-looking approach to credit risk is already taken into account to a certain extent when collective provisions are currently recognized on portfolios of financial assets with similar characteristics, pursuant to IAS 39.

Accordingly, the new impairment model under IFRS 9 will apply to all debt instruments measured at amortized cost or at fair value through equity, which will be divided into three categories:

- Bucket 1: 12-month expected credit loss provisioning (resulting from default risks in the next 12 months) on initial recognition of the financial assets, and as long as no significant increase in credit risk has been observed since the initial recognition;

- Bucket 2: lifetime expected credit loss provisioning (resulting from default risks for the entire remaining life of the instrument) if a significant increase in credit risk has been observed since the initial recognition; and

- Bucket 3: a category consisting of impaired financial assets for which there is objective evidence of impairment as a result of an event that occurred after the loan was contracted. This category is equivalent to the scope of outstandings currently impaired individually under IAS 39.

Significant increase in credit risk will be assessed by:

- taking all reasonable and supportable information into account; and

- comparing the default risk on a financial instrument on the reporting date with the default risk on the initial recognition date.

At the Group level, this is reflected in the measure of risk at the borrower level, whereas the variation in risk is measured at the level of each contract.

The operational work conducted within the Group throughout 2016 focused primarily on defining the boundary between buckets 1 and 2:

- the Group will rely on models developed for prudential purposes and on the measurement of the 12-month default risk (represented by a default rate or score), as authorized under the standard;

- these quantitative data will be combined with qualitative criteria such as payments that are more than 30 days past due/late, the concept of restructured loans, etc.;

- less complex methods will be used for the entities or small portfolios, classified prudentially under the standardized approach and that do not have rating systems.

Discussions are underway on the methodology for taking forward-looking information into account within the parameters.

At this stage, the Group believes that the quantitative impacts cannot be reasonably measured, but that the level of impairment, under IFRS 9, of buckets 1 and 2 will be significantly higher than the collective provisions currently recorded under IAS 39.

- Phase 3 – Hedge accounting

IFRS 9 allows entities to choose, on first-time adoption, to apply the new hedge accounting provisions or to maintain the provisions of IAS 39.

Crédit Mutuel Group has decided to maintain the current provisions. Additional information will be included in the notes, however, on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

Furthermore, the provisions in IAS 39 for the fair value hedge of interest rate risk on a portfolio of financial assets or liabilities, as adopted in the European Union, will continue to apply.

IFRS 15 - Revenue from Contracts with Customers

This standard will replace several standards and interpretations on revenue recognition (including IAS 18 *Revenue* and IAS 11 *Construction Contracts*). It does not, however, affect revenue from leases, insurance policies or financial instruments.

Recognition of revenue from contracts should reflect the transfer of control of an asset (or service) to a customer, for the amount to which the seller expects to be entitled. To that end, the standard has developed a five-step model to determine when and for what amount the revenue should be recognized:

- identify the contract with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to the performance obligations in the contract, and
- recognize revenue when the entity satisfies a performance obligation.

Application of the standard is mandatory for annual reporting periods starting from January 1, 2018 onwards.

In 2016, the Group performed an analysis of the standard and an initial assessment of its potential impacts. This work was done by a dedicated Confédération Nationale du Crédit Mutuel working group, in which the different CM groups and, where applicable, certain subsidiaries participated.

The main business lines/products analyzed were the packaged banking offerings, asset management (performance fees), telephonic, and the IT activities.

At this stage, the impacts are expected to be limited.

Standards and interpretations not yet adopted by the European Union

These are mainly:

- IFRS 16 - Leases, with an effective date set at January 1, 2019, subject to adoption by the European Union,
- amendments to IFRS 4 in relation to IFRS 9 (effective date set at January 1, 2018).

IFRS 16 – Leases

This standard will replace IAS 17 and the interpretations relating to lease recognition.

According to IFRS 16, the definition of leases involves, first, the identification of an asset and, second, the lessee’s control of the right to use this asset.

From the lessor’s standpoint, the expected impact should be limited, as the provisions adopted remain substantially unchanged from the current IAS 17.

The lessee will have to recognize the following for any operating lease:

- in fixed assets: an asset representing the right to use the leased asset,

- in liabilities, a liability representing the obligation to make lease payments for the term of the lease, and

- in the income statement, the expense related to the straight-line depreciation of the asset, separately from the interest expense calculated actuarially, on the financial liability.

As a reminder, according to IAS 17 currently in force, no amount is recorded on the balance sheet and the cost of leases is included in operating expenses.

The Group began the work of analyzing the impacts of this standard and in particular started to identify its leases, for both real estate and equipment (IT, vehicle fleet, etc.).

Change in accounting method for the treatment of the ACMs' capitalization reserve

The capitalization reserve is a reserve that is funded by capital gains on disposals of bonds and that is released only when capital losses are realized on the bonds.

Following the transposition of Solvency II into French law, Groupe des Assurances du Crédit Mutuel modeled the pay-outs from the capitalization reserve to policyholders. As this reserve ultimately accrues in large part to policyholders, the recognition of the share of liabilities related to deferred profit-sharing for the restatement of the capitalization reserve makes the Group's IFRS consolidated financial statements more relevant with IFRS 4.

In accordance with IAS 8, the intentional adoption of this new method for recognizing the future rights of holders of participating policies to the capitalization reserve represents a change in accounting method.

The negative impact on IFRS capital of €257 million at the beginning of 2015, and then of €259 million at end-2015, represents about 95% of the balance of the capitalization reserve for the portfolios representing participating policies.

The impact on 2015 IFRS income was -€1 million net of deferred tax.

Due to these changes, the Group prepared financial statements restated at December 31, 2015.

€ million	Déc. 31, 2015 published	restatement	Déc. 31, 2015 restated
Assets			
Deferred tax assets	780	136	916
Liabilities			
Technical reserves of insurance companies	76 835	394	77 229
Shareholder's equity	**25 653**	**-259**	**25 394**
Shareholder's equity - Group share	**21 843**	**-186**	**21 657**
Consolidated reserves	12 816	-185	12 631
Net income for the year	1 542	-1	1 541
Shareholder's equity - Minority interests	**3 810**	**-72**	**3 738**
Total liabilities	**458 515**	**136**	**458 650**
Consolidated income statement			
Losses on other activites	-11 137	20	-11 118
Income tax	-1 120	-22	-1 142
Net income after tax	**1 877**	**-2**	**1 875**
minority interests	335	-1	334
Net income less minority interests	**1 542**	**-1**	**1 541**

Scope and basis of consolidation

Consolidation scope

The general principles for the inclusion of an entity in the consolidation scope are defined in IFRS 10, IFRS 11 and IAS28R.

The consolidation scope comprises:

- ***Controlled entities***: control is considered to be exercised when the Group holds power over the entity, is exposed or is entitled to variable returns because of its links with the entity, and can exercise its power over the entity to influence its returns. Entities that are controlled by the Group are fully consolidated.

- ***Entities under joint control***: joint control is exercised by virtue of a contractual agreement providing for joint control of an entity, which exists only if the decisions concerning the entity's key activities require unanimous agreement of the parties sharing the control. Two or more parties exercising joint control constitute a partnership, which is either a jointly controlled operation/asset or a jointly controlled entity:

- a jointly controlled operation/asset is a partnership where the parties that exercise joint control have rights to and obligations for the underlying assets and liabilities: the assets, liabilities, revenues and expenses are accounted for proportionally to the interest held in the entity;
- a jointly controlled entity is a partnership where the parties that exercise joint control have rights to the entity's net assets: jointly controlled entities are accounted for using the equity method.

All the entities under the joint control of the Group are jointly controlled entities within the meaning of IFRS 11.

- ***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.

Companies that are between 20% and 50% owned by the Group’s private equity businesses and over which the Group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

- **Changes in the consolidation scope**

The changes in the consolidation scope for the year ended December 31, 2016 were as follows:

- ***Additions:*** CM-CIC Leasing Solutions SAS, Cofacrédit SA, Factofrance SAS, Heller Gmbh, NELB (North Europe Life Belgium), Quanta, Targo Commercial Finance AG, Targo Factoring Gmbh and Targo Leasing Gmbh.

- ***Mergers / absorptions:*** Atlantis Seguros with Amgen Seguros, Banco Cofidis SA with Cofidis SA, Banif Plus Bank with Cofidis SA, Cofidis SGPS with Banco Cofidis SA, CM-CIC Securities with CIC, Sudinnova with CM-CIC Innovation, Serenis Vie with ACM Vie SA and Targo Akademie Gmbh with Targo Deutschland Gmbh.

- ***Removals:*** Banque Pasche, Banque Transatlantique Singapore Private Ltd, Immobilière ACM and Immocity.

- ***Change in consolidation method:*** Targobank Espagne (from the equity method to full consolidation).

- ***Change of name:*** Banco Banif Mais SA Slovaquie become Cofidis SA Slovaquie (a branch of Cofidis SA), Banco Cofidis SA (Spółka Akcyjna) Oddział w Polsce become Cofidis SA Pologne (a branch of Cofidis SA), et RMA Watanya become Royale Marocaine d’Assurance.

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 control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating part.

- **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. It applies to all entities under joint control, qualified as jointly controlled entities or for all entities over which the Group exercises significant influence.

Closing date

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

Elimination of intercompany transactions

Intercompany transactions and the profits arising from transfers between Group entities that have a significant effect on the consolidated financial statements are eliminated.

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.

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.

- **Goodwill**

In accordance with IFRS 3R, when the Bank acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Change in value of goodwill".

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 no longer includes 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

Non-controlling interests correspond to interests that do not provide control as defined in IFRS 10, and include 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.

1.3 Accounting principles and methods

1.3.1 Loans & 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 for sale at the time of their acquisition or grant. 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).

The restructuring of a loan due to the borrower's financial problems requires amendment or novation of the contract. Following the definition of this concept by the European Banking Authority, it was incorporated in the Group's information systems in order that the accounting and prudential definitions were harmonized. The relevant figures are shown in the management report.

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.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period. The renegotiation involves the amendment or derecognition of the former loan.

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.

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

- **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 each balance sheet date. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, taking into account any guarantees, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

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

Impairment charges and provisions are recorded in net additions to provisions for loan losses. Reversals of impairment charges and provisions are recorded in net 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.

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.

1.3.4 Acquired securities

The securities held are classified into the 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 and loans.

- **Financial assets and liabilities at fair value through profit or loss**

  - *Classification*

Financial instruments at fair value through profit or loss comprise:

a) financial instruments held for trading purposes, consisting mainly of instruments that: They are mainly 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.

b) financial instruments designated at inception as at fair value through profit or loss in accordance with the option provided by IAS 39. 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 the embedded derivatives, providing the embedded derivative has a material impact on the value of the instrument;

b. a significant reduction in accounting mismatches between certain assets and liabilities, which arise in particular when a hedging relationship (interest rate, credit) cannot be established;

c. the management or monitoring of the performance of a group of financial assets and/or liabilities in accordance with a documented risk management or investment strategy on a fair value basis.

The Group used this option mainly in connection with insurance business units of account contracts in line with the treatment applied to 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*

Securities classified as "Assets at fair value through profit or loss" are recognized in the statement of financial position at fair value up to the date of their disposal. Changes in fair value and in interest received or accrued on fixed-income securities are taken to the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss." Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income. Fair value also incorporates an assessment of counterparty risk on these securities.

- *Fair value*

Fair value is the amount at which an asset may be sold or a liability transferred between knowledgeable, willing parties in an arm's length transaction. The fair value of an instrument upon initial recognition is generally its transaction price. This fair value needs to be determined upon subsequent measurements. The method used for this determination depends on whether the market on which the instrument is traded is considered active or not. If the instrument is traded on an active market, the best estimate possible of fair value is the quoted price.

The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price, and for an asset to be acquired or a 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 (from an exchange, broker, intermediary or pricing service) and represent actual and regularly occurring market transactions in very similar instruments carried out on an arm's length basis.

The data observable on a market are to be used provided that they reflect a transaction's reality in normal conditions at the date of valuation and that it is not necessary to make too large an adjustment to this value. In the other cases, the Group uses non-observable mark-to-model data.

Derivatives are remeasured using observable market data (for example, yield curves). The bid/ask concept must therefore be applied to these observable data.

When no observable data is available or when adjustments in market prices require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, including the adjustments linked to risks that would be integrated by the market. In particular, these valuation adjustments enable the integration of risks that are not captured by the model: liquidity risks associated with the instrument or parameter in question; specific risk premiums intended to compensate for additional costs that an active management strategy associated with the model would involve under certain market conditions.

As regards derivatives that constitute a receivable, their valuation also incorporates the risk of the counterparty defaulting. As regards derivatives that constitute a receivable, their valuation also incorporates the risk of the counterparty defaulting.

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.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

In any event, the adjustments applied by the Group are reasonable and appropriate and rely on judgments made.

- *Criteria for classification and rules of transfer*

Market conditions may cause the Crédit Mutuel Group to review its investment and management strategy of these securities. Thus, when it appears inappropriate to sell securities initially acquired for the purpose of selling them in the near term, these securities may be reclassified under the specific provisions provided for by the October 2008 amendment to IAS 39.

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

a- *“Financial assets held to maturity”*, only in rare cases, if management’s intention has changed, and provided that they fulfill the eligibility conditions of this category;

b- *“Loans and receivables”* in the event of a change in management’s intention or ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category;

c- *“available for sale”* only in rare cases.

There have not been any new transfers since 2008.

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

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

  - *Impairment of available-for-sale debt instruments*

Impairment losses are calculated using fair value. They are recognized in “Net additions to/reversals from provisions for loan losses” and are reversible. These fixed-income instruments are impaired only if there is credit risk, as impairment in the event of a loss due only to an increase in interest rates is not allowed. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

- *Impairment of available-for-sale equity instruments*

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

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

Impairment is recognized under “Net gain/(loss) on available-for-sale financial assets” and is irreversible so long as the instrument is carried in the statement of financial position. Any subsequent impairment is also recognized in the income statement. In the event of impairment, any unrealized or deferred losses are recognized in the income statement. In the event of a subsequent appreciation in value, this will be recognized in equity within "Unrealized or deferred gains and losses".

- *Criteria for classification and rules of transfer*

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

- Into “Held-to-maturity financial assets” in the event of a change in the management intention, and provided that they fulfill the eligibility conditions of this category;

- Into “Loans and receivables” in the event of a change in the management intention, the ability to hold the securities in the foreseeable future or until maturity, and provided that they fulfill the eligibility conditions of this category;

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

In the event of a transfer of instruments with a fixed maturity from “Available-for-sale financial assets” to the “Held-to-maturity financial assets” or “Loans and receivables” categories, the unrealized gains and losses previously deferred in equity are amortized over the remaining life of the asset.

- **Held-to-maturity financial assets**

  - *Classification*

Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments and a fixed maturity date, 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 losses*

Should a credit risk arise, impairment on held-to-maturity financial assets is calculated in the same way as for loans and receivables. They are tested for impairment on an individual basis at each balance sheet date.

- *Criteria for classification and rules of transfer*

This category includes fixed or determinable income securities, with a fixed maturity date, and which the Crédit Mutuel Group has the intention and ability to hold until maturity.

Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39.

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

❑ Fair value hierarchy of financial instruments

There are three levels of fair value of financial instruments, as defined by IFRS 13:

- Level 1: prices quoted on active markets for identical assets or liabilities. For capital markets activities, this concerns debt securities that are quoted by at least three contributors and derivatives quoted on an organized market.
- 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 2 concerns, in particular, interest rate swaps whose fair value is generally calculated using yield curves based on the market interest rates observed at the accounting date;
- Level 3: data relating to the assets or liabilities that are not observable market data (non-observable data). This category notably includes investments in non-consolidated companies owned or not through venture capital entities, in market activities, debt securities listed by a sole contributor and derivatives mainly using non-observable parameters. The instrument is classified at the same level as the entry data of the lowest level which is material for the fair value overall. Given the diversity and volume of the instruments valued at level 3, the sensitivity of the fair value to changes in parameters would be immaterial.

❑ Derivatives and hedge accounting

- *Financial instruments at fair value through profit or loss - derivatives*

A derivative is a financial instrument:

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

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

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

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

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, corresponds to the definition of a derivative. In particular, it has the effect of inducing changes in some of the cash flows of the combined instrument in a way similar to that of 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:

- it corresponds to the definition of a derivative;
- 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;

▪ *Financial instruments at fair value through profit or loss - derivatives - structured products*

Structured products are products created to meet clients' exact needs. They comprise basic products - generally options. There are various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, lookback options, options on several assets and index swaps.

There are three main groups of methods for 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 balance sheet date. 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 and/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 used for each market parameter concerned.

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 recognized in the statement of financial position at their transaction price, which is deemed to be the best indication of fair value even though 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.

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

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

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

Interest rate risk is the only risk covered by a fair value hedging relationship.

Fair value hedging instruments

The portion corresponding to the rediscounting of a derivative financial instrument is recorded in the income statement under the line item "Interest income, interest expense and equivalent - Hedging derivative instruments", symmetrically to the interest income or expenses relating to the hedged item.

In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss, under the line item "Net gain (loss) on financial instruments at fair value through profit or loss" symmetrically to the remeasurement of the hedged item to reflect the hedged risk through profit or loss. This rule also applies if the hedged item is accounted for at amortized cost or if it is a financial asset classified as available for sale. If the hedging relationship is perfectly effective, the fair value change in the hedging instrument offsets the change in fair value of the hedged item.

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

If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued 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. This method is applied by the Group. This method is applied by the Group for the majority of interest-rate hedges put in place by the asset/liability management department.

For each portfolio of assets or liabilities, the bank checks, by Pillar and at each reporting date, that there is no excess hedging.

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 interest-risk hedged investments", the counterpart being an income statement line item.

Cash flow hedging instruments

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

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

If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. 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.

1.3.5 Debt securities

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

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

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

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

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.

1.3.7 Distinction between Debt and Shareholders' equity

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

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

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 signature commitments;
- Litigation risk and guarantee commitments given;
- Tax risks;
- Risks related to home savings accounts and plans.

1.3.9 Amounts due to customers and credit institutions

Debt securities include fixed-or determinable income financial liabilities. They are recognized initially in the statement of financial position, and are subsequently valued on reporting dates at amortized cost using the effective interest rate 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 home 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).

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 on similar, non-regulated products. 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".

1.3.10 Cash and cash equivalents

Cash and cash equivalents comprise 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.

1.3.11 Employee benefits

Social obligations are subject, where relevant, to a provision reported under the line item "Provisions". A change in this item is recognized in the income statement under the "Payroll costs" heading, except for the portion resulting from actuarial variances, which is recognized as unrealized or deferred gains or losses in equity.

- **Defined benefit post-employment benefits**

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

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

- The discount rate, determined by reference to the long-term interest rates of high-quality corporate bonds, at year-end;
- The rate of wage increase, assessed according to the age group, the management/non-management category, and regional features;
- The rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;
- Rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations and dismissals over the total number of employees working in the company under permanent 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 Studie*s) TF 00-02 table.

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

Actuarial variances are recognized as unrealized or deferred gains or losses in equity. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

Supplementary benefits provided by pension funds

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

Other post-employment defined benefits

A provision is recognized for retirement bonuses 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 retirement bonuses of the Group's banks in France are covered up to at least 60% by an insurance contract taken out with ACM Vie, an insurance company of the Crédit Mutuel Group, which is fully consolidated.

- **Post-employment benefits covered by defined contribution plans**

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

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

- **Long-term benefits**

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

The Group's obligation in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial losses are taken to the income statement as and when they arise.

Obligations in respect of long service awards are sometimes covered by insurance policies. A provision is established only for the uncovered part of these obligations.

- **Employee supplementary retirement plans**

Employees of the Crédit Mutuel CM11 and CIC Groups benefit from, as a complement to the mandatory retirement plans, a supplementary retirement plan offered by ACM Vie SA.

Employees of the Crédit Mutuel CM11 Group benefit from two supplementary retirement plans, one with defined contributions and the other with defined benefits. The rights under the defined contributions plan are vested even if the employee leaves the company, unlike the rights under the defined benefits plan which, in accordance with the new regulation, only vest definitively when the employee leaves the company to retire.

In addition to the mandatory retirement plans, CIC Group's employees benefit from a supplementary defined contribution plan from ACM Vie SA.

- **Termination benefits**

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

- **Short-term benefits**

These are benefits which are expected to be paid within the 12 months following the end of the financial year, other than termination benefits, such as salaries and wages, social security contributions and a number of bonuses.

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

1.3.12 Insurance

The accounting policies and valuation methods applying to the assets and liabilities generated by the issuing of insurance contracts are established pursuant to IFRS 4. They also apply to reinsurance contracts issued or effected, and to financial contracts that have 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, recognized and consolidated according to French GAAP.

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.

1.3.13 Property and equipment and intangible assets

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

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

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

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. BFCM has adopted the components 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 “Depreciation, amortization and impairment of non-current assets” in the income statement.

Depreciation and amortization relating to investment properties is recognized in “Expenses on other activities” in the income statement.

The depreciation and amortization periods are:

<u>Property and equipment:</u>

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

<u>Intangible assets</u>

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

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

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. The impairment 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 non-current assets".

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

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in "Net gain/(loss) on disposals of other assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

The fair value of investment property is disclosed in the notes to the financial statements. It is based on a valuation of the buildings by reference to market prices, performed by independent experts - (Level 2).

1.3.14 Commissions

The Group recognizes in profit or loss commission income and expenses on services depending on the type of services to which they relate.

Commissions directly linked to setting up a loan are recognized over the term of the loan (cf. §1.3.1).

Commissions paid as consideration for an ongoing service are accounted for over the duration of the rendered service.

Commissions representing consideration for the execution of a material deed are taken to profit or loss in full when the deed is executed.

1.3.15 Corporate income tax

This item includes all current or deferred income taxes.

Current income tax is calculated based on applicable tax regulations.

- **Deferred tax**

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.

1.3.16 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 income" line and spread over the life of the corresponding loans, pursuant to IAS 20.

1.3.17 Financial guarantees (sureties, deposits and other guarantees) and financing commitments

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.

1.3.18 Foreign exchange transactions

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

- **Monetary financial assets and liabilities**

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

- **Non-monetary financial assets and liabilities**

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

1.3.19 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 "Net gain/(loss) on discontinued operations and assets held for sale".

1.3.20 Judgments made and estimates used in the preparation of the financial statements

The preparation of the financial statements may require the use of assumptions and estimates that have a material impact on income and expenses and of assets and liabilities in the statement of financial position and notes to the financial statements.

In that case, management uses its judgment and experience to apply readily available information at the time of preparation of the financial statements in order to arrive at the necessary estimates. 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”;
- calculation of the fair value of financial instruments that are not listed on an active market and are classified in “Loans and receivables” or “Held-to-maturity financial assets” for which this information must be provided in the notes to the financial statements;
- impairment tests performed on intangible fixed assets;
- measurement of provisions, including retirement obligations and other employee benefits.

Notes to the consolidated financial statements

The notes to the financial statements are presented in millions of euros.

NOTE 2 - Breakdown of the income statement by activity and geographic region

The Group's activities are as follows:
• Retail banking brings together CIC's regional banks, Targobank Germany, Cofidis, Banco Popular Espanol, Banque Marocaine du Commerce Exterieur, Banque de Tunisie and all specialist activities the products of which are sold by the network: equipment and real estate leasing, factoring, collective investment management, 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 items are subject to an analytical distribution. The breakdown of the statement of financial position items is done in the same way.

2a - Breakdown of the statement of financial position items by business line

Dec. 31, 2016	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Total
ASSETS							
Cash, central banks, post office banks	3 241	0	52 641	3 329	0	739	59 950
Financial assets at fair value through profit or loss	97	12 476	12 012	156	2 186	0	26 927
Hedging derivative instruments	1 175	0	2 076	6	0	1 599	4 856
Available-for-sale financial assets	917	62 999	29 211	2 320	12	1 137	96 597
Loans and receivables due from credit institutions	6 346	1 398	44 578	787	3	27	53 138
Loans and receivables due from customers	176 192	325	22 916	13 802	(0)	95	213 329
Held-to-maturity financial assets	11	10 089	1	0	0	0	10 101
Investments in associates	1 025	179	(0)	0	0	825	2 028
LIABILITIES							
Cash, central banks, post office banks							
Financial liabilities at fair value through profit or loss	66	4 792	6 249	172	0	0	11 279
Hedging derivative instruments	509	0	4 228	157	0	36	4 930
Due to credit institutions	21 680	(0)	33 794	0	0	0	55 474
Due to customers	143 599	90	11 412	20 092	0	3 062	178 256
Debt securities	26 893	0	85 383	28	0	0	112 304

Dec. 31, 2015	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Total
ASSETS							
Cash, central banks, post office banks	2 361	0	3 334	2 173	0	1 985	9 853
Financial assets at fair value through profit or loss	137	10 649	13 372	146	2 087	0	26 392
Hedging derivative instruments	1 466	0	2 122	3	0	1 604	5 195
Available-for-sale financial assets	759	59 428	36 664	2 396	5	1 073	100 324
Loans and receivables due from credit institutions	14 980	946	31 417	899	2	38 635	86 879
Loans and receivables due from customers	156 885	345	21 585	11 992	0	97	190 903
Held-to-maturity financial assets	9	10 785	0	0	0	591	11 385
Investments in associates	1 208	139	0	0	0	1 108	2 455
LIABILITIES							
Cash, central banks, post office banks	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	111	5 458	7 146	144	0	0	12 859
Hedging derivative instruments	794	0	4 689	186	0	65	5 733
Due to credit institutions	27 024	0	22 266	0	0	0	49 290
Due to customers	129 337	76	10 731	18 601	0	3 296	162 041
Debt securities	29 608	0	75 554	14	0	0	105 176

2b - Breakdown of the income statement items by business line

Dec. 31, 2016	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Intra Group transactions	Total
Net banking income (expense)	6 715	1 421	807	512	195	260	-80	9 830
General operating expenses	-4 080	-472	-331	-367	-46	-571	80	-5 787
Gross operating income	2 635	949	476	145	149	-312	0	4 044
Net additions to/reversals from provisions for loan losses	-727		-19	-4		1		-749
Net gain (loss) on disposal of other assets*	-66	45		7		-283		-296
Net income before tax	1 842	995	458	149	149	-593		2 999
Corporate income tax	-701	-299	-162	-32	-1	94		-1 100
Gains and losses net of tax on abandoned assets				-22		66		44
Net income (loss)	**1 141**	**695**	**296**	**95**	**149**	**-433**		**1 943**
Net income attributable to minority interests								288
Net income attributable to the Group								**1 655**

** Including net income of associates and impairment losses on goodwill*

Dec. 31, 2015	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Intra Group transactions	Total
Net banking income (expense)*	6,429	1,521	785	510	172	-95	-82	9,239
General operating expenses	-3,896	-449	-287	-371	-41	-496	82	-5,457
Gross operating income	2,533	1,073	498	139	131	-591	0	3,782
Net additions to/reversals from provisions for loan losses	-685		-20	9	0	-1		-696
Net gain (loss) on disposal of other assets*	73	29		-4		-143		-46
Net income before tax	1,942	1,101	478	143	131	-755		3,040
Corporate income tax*	-674	-395	-187	-41	-5	160		-1,142
Gains and losses net of tax on abandoned assets				-23				-23
Net income (loss)	**1,268**	**706**	**291**	**79**	**126**	**-595**		**1,875**
Net income attributable to minority interests								334
Net income attributable to the Group								**1,542**

** Including net income of associates and impairment losses on goodwill*

*** An amount of € 20 million relating to a gain on disposal of AFS shares, together with the corresponding tax of € 8 million, has been reclassified at the level of net banking income and income tax as of December 31, 2015 from Retail Banking to the Holding business*

2c - Breakdown of the statement of financial position items by geographic region

	Dec. 31, 2016				Dec. 31, 2015			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
ASSETS								
Cash, central banks, post office banks	51,290	6,174	2,486	59,950	2,371	4,145	3,337	9,853
Financial assets at fair value through profit or loss	25,537	551	839	26,927	25,188	533	671	26,392
Hedging derivative instruments	4,844	7	6	4,856	5,189	4	2	5,195
Available-for-sale financial assets	88,280	4,924	3,393	96,597	93,316	4,594	2,414	100,324
Loans and receivables due from credit institutions	50,598	1,717	823	53,138	84,061	1,661	1,157	86,879
Loans and receivables due from customers	171,246	34,413	7,670	213,329	158,261	26,785	5,857	190,903
Held-to-maturity financial assets	10,068	33	0	10,101	11,344	41	0	11,385
Investments in associates	944	440	645	2,028	1,207	637	611	2,455
LIABILITIES								
Cash, central banks, post office banks	0	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	10,828	235	215	11,279	12,357	386	116	12,859
Hedging derivative instruments	4,760	160	10	4,930	5,537	187	10	5,733
Due to credit institutions	42,880	5,316	7,279	55,474	35,536	8,111	5,644	49,290
Due to customers	138,643	38,265	1,347	178,256	130,284	30,895	862	162,041
Debt securities	103,455	3,272	5,576	112,304	97,203	1,887	6,086	105,176

** USA, Singapore, Tunisia and Morocco*

*** Outstanding loans and receivables relating to the BFCM Group's business in the United Kingdom amounted to € 1,680 million at December 31, 2016, representing 0.8% of the Group's total customer loans outstanding*

2d - Breakdown of the income statement items by geographic region

	Dec. 31, 2016				Dec. 31, 2015			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
Net banking income**	7,216	2,402	212	9,830	6,814	2,216	209	9,239
General operating expenses	-4,068	-1,599	-119	-5,787	-3,879	-1,472	-107	-5,458
Gross operating income	3,148	803	93	4,043	2,935	744	103	3,781
Net additions to/reversals from provisions for loan losses	-415	-327	-7	-749	-491	-183	-22	-696
Net gain (loss) on disposal of other assets***	-273	-125	101	-296	-137	10	82	-46
Net income before tax	2,459	351	188	2,999	2,307	570	163	3,040
Net income	1,621	158	164	1,943	1,375	385	115	1,875
Net income attributable to the Group	1,342	162	150	**1,655**	1,111	322	108	1,541

** USA, Singapore, Tunisia and Morocco*

*** In 2016, 29% of net banking income (excluding the logistics and holding business line) came from foreign operations.*

**** Including net income of associates and impairment losses on goodwill.*

NOTE 3 - Consolidation scope

3a - Scope of consolidation

The Group's parent company is Banque Fédérative du Crédit Mutuel

	Country	Dec. 31, 2016			Dec. 31, 2015		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
A. Banking network							
Banque Européenne du Crédit Mutuel (BECM)	France	96	96	FC	96	96	FC
BECM Francfort (a branch of BECM)	Germany	100	96	FC	100	96	FC
BECM Saint Martin (a branch of BECM)	Saint Martin	100	96	FC	100	96	FC
CIC Est	France	100	94	FC	100	94	FC
CIC Iberbanco	France	100	100	FC	100	100	FC
CIC Lyonnaise de Banque (LB)	France	100	94	FC	100	94	FC
CIC Nord Ouest	France	100	94	FC	100	94	FC
CIC Ouest	France	100	94	FC	100	94	FC
CIC Sud Ouest	France	100	94	FC	100	94	FC
Crédit Industriel et Commercial (CIC)	France	94	94	FC	94	94	FC
CIC Londres (a branch of CIC)	United Kingdom	100	94	FC	100	94	FC
CIC New York (a branch of CIC)	United States of America	100	94	FC	100	94	FC
CIC Singapour (a branch of CIC)	Singapore	100	94	FC	100	94	FC
Targobank AG & Co. KGaA	Germany	100	100	FC	100	100	FC
Targobank Espagne	Spain	51	51	FC	50	50	EM
B. Banking network - subsidiaries							
Bancas	France	50	50	EM	50	50	EM
Banco Cofidis SA	Portugal			MER	100	55	FC
Banco Banif Mais SA Espagne (a branch of Banco Cofidis SA)	Spain			NC	100	55	FC
Banco Popular Español	Spain	4	4	EM	4	4	EM
Banif Plus Bank	Hungary			MER	100	55	FC
Banque de Tunisie	Tunisia	34	34	EM	34	34	EM
Banque du Groupe Casino	France	50	50	EM	50	50	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	96	FC	100	96	FC
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26	26	EM	26	26	EM
Cartes et crédits à la consommation	France	100	100	FC	100	100	FC
CM-CIC Asset Management	France	74	73	FC	74	73	FC
CM-CIC Bail	France	99	93	FC	99	93	FC
CM-CIC Bail Espagne (a branch of CM-CIC Bail)	Spain	100	93	FC	99	93	FC
CM-CIC Epargne salariale	France	100	94	FC	100	94	FC
CM-CIC Factor	France	96	89	FC	96	89	FC
CM-CIC Gestion	France	100	73	FC	100	73	FC
CM-CIC Home Loan SFH	France	100	100	FC	100	100	FC
CM-CIC Lease	France	100	97	FC	100	97	FC
CM-CIC Leasing Benelux	Belgium	100	93	FC	100	93	FC
CM-CIC Leasing GmbH	Germany	100	93	FC	100	93	FC
CM-CIC Leasing Solutions SAS	France	100	100	FC			NC
Cofacredit	France	64	64	FC			NC
Cofidis Belgique	Belgium	100	55	FC	100	55	FC
Cofidis France	France	100	55	FC	100	55	FC
Cofidis Espagne (a branch of de Cofidis France)	Spain	100	55	FC	100	55	FC
Cofidis Hongrie (a branch of Cofidis France)	Hungary	100	55	FC	100	55	FC
Cofidis Portugal (a branch of Cofidis France)	Portugal	100	55	FC	100	55	FC
Cofidis SA Pologne (a branch of Cofidis France)	Poland	100	55	FC	100	55	FC
Cofidis SA Slovaquie (a branch of Cofidis France)	Slovakia	100	55	FC	100	55	FC
Cofidis Italie	Italy	100	55	FC	100	55	FC
Cofidis République Tchèque	Czech Republic	100	55	FC	100	55	FC
Cofidis Slovaquie	Slovakia	100	55	FC	100	55	FC
Creatis	France	100	55	FC	100	55	FC
Factofrance	France	100	100	FC			NC
FCT CM-CIC Home loans	France	100	100	FC	100	100	FC
Fivory	France	89	89	FC	99	99	FC
Monabanq	France	100	55	FC	100	55	FC
SCI La Tréflière	France	46	46	EM	46	46	EM
Targo Commercial Finance AG	Germany	100	100	FC			NC
Targo Factoring GmbH	Germany	100	100	FC			NC
Targo Finanzberatung GmbH	Germany	100	100	FC	100	100	FC
Targo Leasing GmbH	Germany	100	100	FC			NC
C. Corporate banking and capital market							
Cigogne Management	Luxembourg	100	96	FC	100	96	FC
CM-CIC Securities	France			MER	100	94	FC
Diversified Debt Securities SICAV - SIF	Luxembourg	100	94	FC	100	94	FC
Ventadour Investissement	France	100	100	FC	100	100	FC
D. Private banking							
Banque de Luxembourg	Luxembourg	100	94	FC	100	94	FC
Banque Pasche	Switzerland			NC	100	94	FC
Banque Transatlantique (BT)	France	100	94	FC	100	94	FC
Banque Transatlantique Belgium	Belgium	100	94	FC	100	94	FC
Banque Transatlantique Londres (a branch of BT)	United Kingdom	100	94	FC	100	94	FC
Banque Transatlantique Luxembourg	Luxembourg	100	94	FC	100	94	FC
Banque Transatlantique Singapore Private Ltd	Switzerland			NC	100	94	FC
CIC Suisse	Switzerland	100	94	FC	100	94	FC
Dubly-Douilhet Gestion	France	100	94	FC	100	94	FC
Transatlantique Gestion	France	100	94	FC	100	94	FC

	Country	Dec. 31, 2016			Dec. 31, 2015		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
E. Private equity							
CM-CIC Capital et Participations	France	100	94	FC	100	94	FC
CM-CIC Conseil	France	100	94	FC	100	94	FC
CM-CIC Innovation	France	100	94	FC	100	94	FC
CM-CIC Investissement	France	100	94	FC	100	94	FC
CM-CIC Investissement SCR	France	100	94	FC	100	94	FC
CM-CIC Proximité	France	100	94	FC	100	94	FC
Sudinnova	France			MER	66	62	FC
F. IT & Logistics and holding company							
Adepi	France	100	94	FC	100	94	FC
CIC Participations	France	100	94	FC	100	94	FC
CM Akquisitions	Germany	100	100	FC	100	100	FC
CMCP - Crédit Mutuel Cartes de Paiement	France	45	45	EM	45	45	EM
Cofidis Participations	France	55	55	FC	55	55	FC
Cofidis SGPS SA	Portugal			MER	100	55	FC
Euro-Information	France	26	26	EM	26	26	EM
Euro Protection Surveillance	France	25	25	EM	25	25	EM
Gesteurop	France	100	94	FC	100	94	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	100	FC	100	100	FC
Heller GmbH	Germany	100	100	FC			NC
L'Est Républicain	France	92	92	FC	92	92	FC
SAP Alsace	France	99	97	FC	99	97	FC
Société Civile de Gestion des Parts dans l'Alsace (SCGPA)	France	50	50	FC	50	50	FC
Société d'Investissements Médias (SIM)	France	100	100	FC	100	100	FC
Société de Presse Investissement (SPI)	France	100	100	FC	100	100	FC
Targo Akademie GmbH	Germany			MER	100	100	FC
Targo Deutschland GmbH	Germany	100	100	FC	100	100	FC
Targo Dienstleistungs GmbH	Germany	100	100	FC	100	100	FC
Targo IT Consulting GmbH	Germany	100	100	FC	100	100	FC
Targo IT Consulting GmbH Singapour (a branch of Targo IT consulting GmbH)	Singapore	100	100	FC	100	100	FC
Targo Management AG	Germany	100	100	FC	100	100	FC
Targo Realty Services GmbH	Germany	100	100	FC	100	100	FC
G. Insurance companies							
ACM GIE	France	100	72	FC	100	72	FC
ACM IARD	France	96	69	FC	96	69	FC
ACM Nord IARD	France	49	35	EM	49	35	EM
ACM RE	Luxembourg	100	72	FC	100	72	FC
ACM Services	France	100	72	FC	100	72	FC
ACM Vie SA	France	100	72	FC	100	72	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	69	FC	95	69	FC
Agrupación pensiones, entidad gestora de fondos de pensiones,S.A. (formely Agrupació Bankpyme Pensiones)	Spain	100	69	FC	95	69	FC
Agrupació serveis administratius	Spain	100	69	FC	95	69	FC
AMDIF	Spain	100	69	FC	95	69	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	72	FC	100	72	FC
AMSYR	Spain	100	69	FC	95	69	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	58	FC	80	58	FC
Asistencia Avançada Barcelona	Spain	100	69	FC	95	69	FC
ASTREE Assurances	Tunisia	30	22	EM	30	22	EM
Atlantis Asesores SL	Spain	80	58	FC	80	58	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	43	FC	60	43	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	65	FC	88	65	FC
Atlantis, Compañía de Seguros y Reaseguros SA	Spain			MER	100	72	FC
GACM España	Spain	100	72	FC	100	72	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	73	72	FC	73	72	FC
ICM Life	Luxembourg	100	72	FC	100	72	FC
Immobilière ACM	France			NC	100	72	FC
Margem-Mediação Seguros, Lda	Portugal	100	55	FC	100	55	FC
NELB (North Europe Life Belgium)	Belgium	49	35	EM			NC
Partners	Belgium	51	37	FC	100	72	FC
Procourtage	France	100	72	FC	100	72	FC
Royale Marocaine d'Assurance (formely RMA Watanya)	Morocco	22	16	EM	22	16	EM
Serenis Assurances	France	100	72	FC	100	72	FC
Serenis Vie	France			MER	100	72	FC
Voy Mediación	Spain	90	64	FC	90	64	FC
H. Other companies							
Affiches d'Alsace Lorraine	France	100	100	FC	100	100	FC
Alsacienne de Portage des DNA	France	100	100	FC	100	100	FC
CM-CIC Immobilier	France	100	100	FC	100	100	FC
Distripub	France	100	97	FC	100	97	FC
Documents AP	France	100	100	FC	100	100	FC
Est Bourgogne Médias	France	100	100	FC	100	100	FC
Foncière Massena	France	100	72	FC	100	72	FC
France Régie	France	100	100	FC	100	100	FC
GEIE Synergie	France	100	55	FC	100	55	FC
Groupe Dauphiné Media	France	100	100	FC	100	100	FC
Groupe Progrès	France	100	100	FC	100	100	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	100	FC	100	100	FC
Immocity	France			NC	100	100	FC
Jean Bozzi Communication	France	100	100	FC	100	100	FC
Journal de la Haute Marne	France	50	46	EM	50	46	EM
La Liberté de l'Est	France	97	89	FC	97	89	FC
La Tribune	France	100	100	FC	100	100	FC
Le Dauphiné Libéré	France	100	100	FC	100	100	FC
Le Républicain Lorrain	France	100	100	FC	100	100	FC
Les Dernières Nouvelles d'Alsace	France	100	100	FC	100	100	FC

	Country	Dec. 31, 2016			Dec. 31, 2015		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
Lumedia	Luxembourg	50	50	EM	50	50	EM
Mediaportage	France	100	97	FC	100	97	FC
Presse Diffusion	France	100	100	FC	100	100	FC
Publiprint Province n°1	France	100	100	FC	100	100	FC
Quanta	Germany	100	100	FC			NC
Républicain Lorrain Communication	France	100	100	FC	100	100	FC
Républicain Lorrain - TV news	France	100	100	FC	100	100	FC
SCI ACM	France	87	62	FC	87	62	FC
SCI Le Progrès Confluence	France	100	100	FC	100	100	FC
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	100	FC	100	100	FC

* Method:
FC = full consolidation
PC = proportional consolidation
EM = equity method
NC = not consolidated
MER = merged

3b - Information on geographic locations included in the consolidation scope

Article 7 of law No. 2013-672 of July 26, 2013 of the French Monetary and Financial Code, amending Article L. 511-45, requires that credit institutions publish information on their entities and activities in every state or territory. The country in which each entity is located is mentioned in the consolidation scope. The group has no sites meeting the criteria stipulated in the decree of October 6, 2009 in the non-cooperative states or territories included in the list established by the order of December 21, 2016.

In € millions exept Number of employees Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Number of employees	Government subsidies
Germany	1,281	367	-118	14	-77	7,167	0
Belgium	124	24	-3	1	-8	607	0
Spain	333	-180	-17	2	-18	2,502	0
United States	119	77	-28	6	-7	85	0
France	7,212	3,474	-916	14	-1,014	28,824	0
Hungary	30	7	0	1	-2	205	0
Iraly	38	3	0	0	-2	218	0
Luxembourg	282	123	-31	15	-23	810	0
Morocco	0	85	0	0	0	0	0
Monaco	2	0	0	0	0	9	0
Poland	1	0	0	0	0	4	0
Portugal	156	89	-32	7	-5	716	0
Czech Republic	7	-2	0	0		160	0
United Kingdom *	45	37	-6	-2	-7	56	0
Saint Martin	3	1	0	0	0	8	0
Singapore	91	20	-3	0	-4	247	0
Slovakia	2	-2	0	0	0	11	0
Switzerland	105	39	-5	1	-10	313	0
Tunisia	0	16	0	0	0	0	0
Total	**9,830**	**4,178**	**-1,159**	**59**	**-1,178**	**41,942**	**0**

*BFCM Group's activities in the United Kingdom account for net banking income of €45 million and profit before tax of €37 million, or 0.5% and 0.8%, respectively, of the Group's total.
With regard to Brexit, the unexpected decision of British voters sparked a strong reaction in the financial markets. Against the backdrop of a major political, economic and migration crisis, a relatively strong upheaval could put additional strain on a fragile economic environment. Amid such uncertainty, it is difficult to determine the medium and long-term macroeconomic impacts of Brexit. Although the Group has a limited presence in Great Britain and the risk of contagion to its other activities is relatively moderate, it is difficult to fully estimate the future impacts of such a decision. The London branch is very closely monitoring those counterparties that may be the most affected by Brexit (primarily importing companies that may suffer from a devaluation of the pound).
The process remains uncertain at this time as official negotiations have not yet begun on the conditions of Great Britain's exit from the European Union (they are set to last for two years from the day Great Britain exercises its right to withdraw). Great Britain did in fact just invoke Article 50 of the Lisbon Treaty. Particular attention will therefore be paid to the operational impacts of Brexit but they must still be measured by the Group (in particular in light of future events).

3c - Fully-consolidated entities with significant minority interests

Dec. 31, 2016	Share of minority interests in the consolidated financial statements				Financial information related to fully-consolidated entities*			
	Percentage owned	Net income	Amount in shareholders' equity	Dividends paid to minority shareholders	Total assets	OCI reserves	Net banking income	Net income
Groupe des Assurances du Crédit Mutuel (GACM)	28%	203	2,307	-81	97,698	1,206	1,421	684
Cofidis Belgique	45%	3	316	0	835	-2	95	6
Cofidis France	45%	20	427	0	7,928	-4	545	54

* Amounts before elimination of accounts and intercompany transactions

Dec. 31, 2015	Share of minority interests in the consolidated financial statements				Financial information related to fully-consolidated entities*			
	Percentage owned	Net income	Amount in shareholders' equity	Dividends paid to minority shareholders	Total assets	OCI reserves	Net banking income	Net income
Groupe des Assurances du Crédit Mutuel (GACM)	28%	208	2,190	-78	92,214	1,036	1,501	694
Cofidis Belgique	45%	6	309	0	794	-1	95	13
Cofidis France	45%	11	314	0	6,861	-4	553	35

* Amounts before elimination of accounts and intercompany transactions

3d -Investments in non-consolidated structured entities

The group works with non-consolidated structured entities as part of its activities and to meet the needs of its clients.
The main categories of non-consolidated structured sponsored entities are as follows:
- ABCP securitization conduit:

The group owns a conduit, General Funding Ltd., tasked with using treasury bills to refinance clients' securitization transactions. The group serves as a sponsor for the conduit and provides it with guarantees for its treasury bill investments. One transaction was in progress on December 31, 2015.

- Asset financing:

The group grants loans to structured entities solely for the purpose of the latter holding assets for lease, and using the related lease payments to repay its borrowings. These entities are dissolved when the financing operation is completed. The group is generally the sole shareholder.
For these two categories, the maximum loss exposure on the structured entities corresponds to the book value of the asset financed by the structured entity.
- Undertakings for collective investment or funds:

The group operates as an asset manager and custodian. It proposes funds to clients in which it does not invest itself. It markets and manages these funds, which may be dedicated or public, for which it receives a fee.
For certain funds that offer guarantees to unitholders or shareholders, the group may act as counterparty for implemented swap transactions. In exceptional cases where the group acts as both manager and investor and is required to operate firstly on a proprietary basis, the entity concerned is included in the consolidation scope.
An interest in a non-consolidated structured entity, whether or not on a contractual basis, exposes the group to fluctuations in income associated with the entity's performance.
The group's risk is primarily an operational risk of negligence in the performance of its management or custodial mandate and, where relevant, includes risk exposure in the amount of the sums invested.
No financial resources were granted to the group's structured entities during the financial year.

Dec. 31, 2016	Securitization vehicles (SPV)	Asset management (UCITS/SCPI)*	Other structured entities **
Total assets	0	8,561	2,094
Carrying amount of financial assets	0	4,926	782

* The amounts indicated relate to UCITS in which the group owns at least a stake of 20% and for which it performs asset management, excluding units of account held by insured parties.

** Other structured entities correspond to asset financing entities.

3e - Non-current assets held for sale and discontinued operations

Pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, Banque Pasche's business is classified under the headings "Non-current assets held for sale", "Liabilities associated with non-current assets held for sale" and "Post-tax gain/(loss) on discontinued operations and assets held for sale".

Banque Pasche's contribution to the consolidated financial statements	Dec. 31, 2016	Dec. 31, 2015
Total assets	0	116
Net banking income	0	0
Shareholders' equity	0	78
Net loss attributable to owners of the company	41	-21

Net income of € 41 million as of December 31, 2016 includes the recycling of the Banque Pasche conversion reserve for € 62 million in the holding business, as well as the result of Banque Pasche up to the date of transfer

NOTE 4 - Cash and amounts due from central banks

4a - Loans and receivables due from credit institutions

	Dec. 31, 2016	Dec. 31, 2015
Cash and amounts due from central banks		
Due from central banks	59,206	9,142
including reserve requirements	1,678	1,394
Cash	744	711
TOTAL	**59,950**	**9,853**
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts(1)	4,123	4,827
Other current accounts	2,380	1,562
Loans	36,404	71,142
Other receivables	671	727
Securities not listed in an active market	486	935
Resale agreements	8,850	7,399
Individually impaired receivables	0	0
Accrued interest	224	286
Impairment provisions	0	0
TOTAL	**53,138**	**86,879**

(1) mainly outstanding CDC (Caisse des Dépôts et Consignations) repayments relating to LEP, LDD and Livret bleu passbook savings accounts.

4b - Amounts due to credit institutions

	Dec. 31, 2016	Dec. 31, 2015
Due to credit institutions		
Other current accounts	11,721	9,293
Borrowings	15,292	15,494
Other debt	2,646	678
Resale agreements	25,761	23,765
Accrued interest	55	59
TOTAL	**55,475**	**49,290**

NOTE 5 - Financial assets and liabilities

5a - Financial assets at fair value through profit or loss

	Dec. 31, 2016			Dec. 31, 2015		
	Held for trading	Fair value option	Total	Held for trading	Fair value option	Total
Securities	7,812	14,734	22,546	9,464	12,728	22,193
- Government securities	865	1	866	1,638	1	1,638
- Bonds and other fixed-income securities	6,280	1,774	8,055	6,840	1,830	8,671
. Quoted	*6,280*	*1,381*	*7,662*	*6,840*	*1,399*	*8,239*
. Not quoted	*0*	*393*	*393*	*0*	*432*	*432*
- Equities and other variable-income securities	666	12,959	13,626	986	10,898	11,884
. Quoted	*666*	*10,867*	*11,533*	*986*	*9,033*	*10,019*
. Not quoted	*0*	*2,092*	*2,092*	*0*	*1,865*	*1,865*
. Trading derivative instruments	4,327	0	4,327	4,029	0	4,029
. Other financial assets		54	54		170	170
including resale agreements (1)		*0*	*0*		*0*	*0*
TOTAL	**12,139**	**14,788**	**26,927**	**13,493**	**12,898**	**26,392**

5b - Financial liabilities at fair value through profit or loss

	Dec. 31, 2016	Dec. 31, 2015
Financial liabilities held for trading	6,419	7,163
Financial liabilities at fair value by option through profit or loss	4,859	5,697
TOTAL	**11,279**	**12,859**

Financial liabilities held for trading

	Dec. 31, 2016	Dec. 31, 2015
Short selling of securities	1 840	2 810
- Government securities	0	0
- Bonds and other fixed-income securities	864	1 577
- Equities and other variable-income securities	975	1 233
. Debt representing securities given through repurchase agreements		
. Trading derivative instruments	4 505	4 238
. Other financial liabilities held for trading	75	115
TOTAL	**6 419**	**7 163**

Financial liabilities at fair value by option through profit or loss

	Dec. 31, 2016			Dec. 31, 2015		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	0	0	0	109	109	0
. Interbank liabilities	4 789	4 789	0	5 588	5 587	1
. Due to customers	71	71	0	0	0	0
TOTAL	**4 859**	**4 860**	**-1**	**5 697**	**5 696**	**1**

Own credit risk is deemed immaterial.

5c - Fair value hierarchy of financial instruments at fair value

Dec. 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	91 087	2 737	2 774	96 597
- Government and similar securities - AFS	15 754	61	0	15 815
- Bonds and other fixed-income securities - AFS	65 855	1 446	1 109	68 410
- Equities and other variable-income securities - AFS	8 402	814	255	9 471
- Investments in non-consolidated companies and other LT investments - AFS	1 061	410	996	2 466
- Investments in associates - AFS	15	6	414	435
Held for trading / Fair value option (FVO)	18 852	5 199	2 875	26 927
- Government and similar securities - Held for trading	750	115	0	865
- Government and similar securities - FVO	1	0	0	1
- Bonds and other fixed-income securities - Held for trading	5 231	779	270	6 280
- Bonds and other fixed-income securities - FVO	1 122	350	302	1 774
- Equities and other variable-income securities - Held for trading	666	0	0	666
- Equities and other variable-income securities - FVO	10 607	796	1 557	12 959
- Loans and receivables due from credit institutions - FVO	0	54	0	54
- Loans and receivables due from customers - FVO	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	476	3 106	745	4 327
Hedging derivative instruments	0	4 806	50	4 856
Total	**109 939**	**12 742**	**5 698**	**128 380**
	Niveau 1	Niveau 2	Niveau 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2 388	8 060	830	11 279
- Due to credit institutions - FVO	0	4 789	0	4 789
- Due to customers - FVO	0	71	0	71
- Debt securities - FVO	0	0	0	0
- Subordinated debt - FVO	0	0	0	0
- Derivative instruments and other financial liabilities - Held for trading	2 388	3 200	830	6 419
Hedging derivative instruments	0	4 906	23	4 930
Total	**2 388**	**12 966**	**854**	**16 208**

Dec. 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	93 878	2 763	3 683	100 325
- Government and similar securities - AFS	24 029	438	0	24 466
- Bonds and other fixed-income securities - AFS	61 181	2 219	1 953	65 354
- Equities and other variable-income securities - AFS	7 800	25	211	8 037
- Investments in non-consolidated companies and other LT investments - AFS	856	74	1 144	2 074
- Investments in associates - AFS	12	6	375	394
Held for trading / Fair value option (FVO)	17 171	5 835	3 385	26 392
- Government and similar securities - Held for trading	1 289	349	0	1 638
- Government and similar securities - FVO	1	0	0	1
- Bonds and other fixed-income securities - Held for trading	4 873	1 474	493	6 840
- Bonds and other fixed-income securities - FVO	1 181	331	318	1 830
- Equities and other variable-income securities - Held for trading	985	0	1	986
- Equities and other variable-income securities - FVO	8 825	456	1 617	10 898
- Loans and receivables due from credit institutions - FVO	0	170	0	170
- Loans and receivables due from customers - FVO	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	18	3 055	956	4 029
Hedging derivative instruments	0	5 135	60	5 195
Total	**111 050**	**13 733**	**7 129**	**131 912**
	Niveau 1	Niveau 2	Niveau 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2 888	9 113	859	12 859
- Due to credit institutions - FVO	0	5 588	0	5 588
- Due to customers - FVO	0	0	0	0
- Debt securities - FVO	0	109	0	109
- Subordinated debt - FVO	0	0	0	0
- Derivative instruments and other financial liabilities - Held for trading	2 888	3 416	859	7 163
Hedging derivative instruments	0	5 676	57	5 733
Total	**2 888**	**14 789**	**916**	**18 593**

There are three levels of fair value of financial instruments, as defined by IFRS 7:
- Level 1 instruments: measured using stock market prices. In the case of capital markets activities, these include debt securities with prices quoted by at least four contributors and derivative instruments quoted on a regulated market.
- Level 2 instruments: measured using valuation techniques based primarily on observable inputs. In the case of capital markets activities, these comprise debt securities with prices quoted by two to three contributors and derivative instruments traded over the counter, which are not included in Level 3.
- Level 3 instruments: measured using valuation techniques based primarily on unobservable inputs. These involve unquoted equities, and, in the case of capital markets activities, debt securities quoted by a single contributor and derivative instruments valued using primarily unobservable parameters.

Level 2 and 3 instruments held in the trading portfolio mainly comprise securities deemed to have poor liquidity and derivatives.
The uncertainties inherent in measuring all of these instruments result in measurement adjustments reflecting the risk premium taken into account by market operators when setting the price.
These measurement adjustments enable the inclusion, in particular, of risks that would not be built into the model, liquidity risks associated with the instrument or parameter in question, specific risk premiums intended to offset certain additional costs inherent in the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk associated with the fair value of over-the-counter derivatives. The methods used may change over time. The latter includes proprietary counterparty risk associated with the fair value of over-the-counter derivatives.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

Level 3 details	Opening	Purchases	Sales	Gains and losses recognized in	Other movements	Closing
- Equities and other variable-income securities - FVO	1 617	232	-339	103	-56	1 557

5d - Offsetting financial assets and financial liabilities

Dec. 31, 2016	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments received in guarantee	Associated amounts not offset: Cash collateral received	Net amount
Financial assets							
Derivatives	9 183	0	9 183	-2 329	0	-5 075	1 778
Resale agreements	15 494	0	15 494	0	-14 669	-80	745
Total	**24 677**	**0**	**24 677**	**-2 329**	**-14 669**	**-5 155**	**2 523**

Dec. 31, 2016	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments given in guarantee	Associated amounts not offset: Cash collateral paid	Net amount
Financial liabilities							
Derivatives	9 434	0	9 434	-2 334	-2	-4 779	2 319
Resale agreements	32 143	0	32 143	0	-31 691	-266	186
Total	**41 577**	**0**	**41 577**	**-2 334**	**-31 693**	**-5 045**	**2 505**

Dec. 31, 2015	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments received in guarantee	Associated amounts not offset: Cash collateral received	Net amount
Financial assets							
Derivatives	9 224	0	9 224	-2 072	0	-4 780	2 372
Resale agreements	14 551	0	14 551	0	-13 518	-65	969
Total	**23 775**	**0**	**23 775**	**-2 072**	**-13 518**	**-4 845**	**3 341**

Dec. 31, 2015	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset: Financial instruments given in guarantee	Associated amounts not offset: Cash collateral paid	Net amount
Financial liabilities							
Derivatives	9 916	0	9 916	-2 093	0	-5 175	2 648
Resale agreements	31 778	0	31 778	0	-31 343	-94	341
Total	**41 694**	**0**	**41 694**	**-2 093**	**-31 343**	**-5 269**	**2 989**

This information, required pursuant to an amendment to IFRS 7 applicable since January 1, 2013, is intended to improve comparability with disclosures under generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IFRS.
Pursuant to IAS 32, the Group does not offset carrying amounts, hence the absence of any figures in the second column. The "Effect of offset framework agreements" column shows outstanding amounts on transactions under binding agreements that have not been offset in the financial statements.
The "Financial instruments received/given in guarantee" column comprises the market value of securities exchanged as collateral.
The "Cash collateral received/paid" column includes guarantee deposits received or given in respect of positive or negative market values of financial instruments. They are recognised as "Other assets or liabilities" in the statement of financial position.

NOTE 6 - Hedging

6a - Hedging derivative instruments

	Dec. 31, 2016 Assets	Dec. 31, 2016 Liabilities	Dec. 31, 2015 Assets	Dec. 31, 2015 Liabilities
. Fair value hedges (change in value recognized through profit or loss)	4 856	4 930	5 195	5 733
TOTAL	**4 856**	**4 930**	**5 195**	**5 733**

Fair value hedging is the hedging of exposure against a change in the fair value of a financial instrument attributable to a specific risk. The portion attributable to the hedged risk of changes in the fair value of the hedge and of the hedged items is recognized through profit or loss.

6b - Remeasurement adjustment on interest-risk hedged investments

	Fair value Dec. 31, 2015	Fair value Dec. 31, 2015	Change in fair value
Fair value of interest-risk by investment category			
. financial assets	604	791	-187
. financial liabilities	-573	-676	103

6c - Analysis of derivative instruments

	Dec. 31, 2016			Dec. 31, 2015		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
Swaps	81 652	2 766	2 745	145 099	2 920	2 982
Other forward contracts	111 153	5	1	15 177	6	2
Options and conditional transactions	21 466	73	197	21 018	125	271
Foreign exchange derivative instruments						
Swaps	95 821	73	69	93 553	60	61
Other forward contracts	7 140	622	576	117	337	289
Options and conditional transactions	24 989	200	191	23 372	177	165
Derivative instruments other than interest-rate and foreign exchange						
Swaps	12 733	76	129	13 872	126	187
Other forward contracts	1 157	14	63	1 876	0	26
Options and conditional transactions	11 784	499	531	8 705	278	255
Sub-total	**367 895**	**4 327**	**4 505**	**322 789**	**4 029**	**4 238**
Hedging derivative instruments						
Fair value hedges						
Swaps	120 403	4 856	4 930	124 123	5 194	5 733
Other forward contracts	15 782	0	0	0	0	0
Options and conditional transactions	0	(0)	0	1	1	0
Cash flow hedges						
Swaps	0	0	0	0	0	0
Other forward contracts	0	0	0	0	0	0
Sub-total	**136 185**	**4 856**	**4 930**	**124 124**	**5 195**	**5 733**
TOTAL	**504 080**	**9 183**	**9 434**	**446 913**	**9 224**	**9 971**

The CVA (credit valuation adjustment) and the DVA (debt valuation adjustment) entail limiting own credit risk and, at December 31, 2016, totaled -€41 million (-€42 million at December 31, 2015) and €3 million (same as at December 31, 2015), respectively. The FVA (funding valuation adjustment), which corresponds to the costs or benefits related to financing certain derivatives not hedged by a netting agreement, totaled -€14 million at December 31, 2016 (-€22 million at December 31, 2015).

The exposures required to calculate the CVA, DVA and FVA are determined using Monte Carlo simulations.

The interest rate distribution model used for mature economies is a two-factor linear Gaussian model. This model is used for economies where the market prices of option derivatives provide a sufficient level of information on the market. For secondary economies, the interest rate distribution model used is a one-factor Hull-White model. This model is used for economies where there is no information on the market. The foreign exchange model is a specific one-factor log-normal model. The credit model is an intensity model.

All OTC derivative transactions are taken into account for the CVA, while only collateralized deals are included for the DVA and only non-collateralized deals for the FVA; the collateral bears interest at a rate equivalent to that used to build the related discount curves.

For the CVAs/DVAs, the credit spread is a market spread (CDS) for counterparties whose CDS is listed and liquid; for other counterparties, the spread resulting from historical probabilities of default is recalibrated to market levels as required by prudential and accounting regulators.

The spread used to calculate the FVA is determined from prices of BFCM issues on the secondary market.

One scope (equities, fixed-income products and non-vanilla credit, etc.), whose weight ranges from 10% to 15%, is not considered in the calculation; an extrapolation factor calibrated every month is used to estimate an additional provision for these transactions.

Note 7 - Available-for-sale financial assets

7a - Available-for-sale financial assets

	Dec. 31, 2016	Dec. 31, 2015
. Government securities	15 703	24 341
. Bonds and other fixed-income securities	68 289	65 227
- Listed	67 676	64 742
- Unlisted	613	485
. Equities and other variable-income securities	9 471	8 036
- Listed	9 257	7 884
- Unlisted	214	152
. Long-term investments	2 880	2 458
- Investments in non-consolidated companies	2 205	1 900
- Other long-term investments	261	173
- Investments in associates	414	384
- Securities lent	0	0
- Current account advances related to non-performing SCI	0	0
. Accrued interest	254	262
TOTAL	**96 597**	**100 324**
Including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity	*703*	*567*
Including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity	*849*	*1 100*
Including impairment of bonds and other fixed-income securities	*-37*	*-54*
Including impairment of equities and other variable-income securities and long-term investments	*-1 314*	*-1 398*

Visa Europe securities, recorded under fixed assets, were revalued via shareholders' equity for €245 million at 31 December 2015 under the terms of the agreement with VISA Inc. As the final closing took place on June 21, 2016, the shares were therefore sold and a gain on sale of € 308 million before tax was recognized in the accounts in 2016.

7b - List of main investments in non-consolidated companies

		% held	Shareholders' equity	Total assets	NBI or revenue	Net income
Crédit logement	Unlisted	< 10%	1 749	10 124	435	236
CRH (Caisse de refinancement de l'habitat)	Unlisted	< 40%	563	42 608	3	0
Foncière des Régions	Quoted	< 10%	7 728	18 813	810	654

The figures above (excluding the percentage of interest) relate to 2015.

7c - Exposure to sovereign risk

Countries benefiting from aid packages

Net exposure*	Dec. 31, 2016		Dec. 31, 2015	
	Portugal	**Ireland**	**Portugal**	**Ireland**
Financial assets at fair value through profit or loss	31		42	
Available-for-sale financial assets	68	161	60	101
Held-to-maturity financial assets				
TOTAL	**99**	**161**	**102**	**101**

** Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.*

Residual contractual maturity	**Portugal**	**Ireland**	**Portugal**	**Ireland**
< 1 year	14	30		
1 to 3 years	50	89	62	
3 to 5 years		5	12	94
5 to 10 years	22	37	18	7
> 10 years	13		10	
Total	**99**	**161**	**102**	**101**

Other sovereign risk exposures in the banking portfolio

Net exposure	Dec. 31, 2016		Dec. 31, 2015	
	Spain	**Italy**	**Spain**	**Italy**
Financial assets at fair value through profit or loss	35	353	98	63
Available-for-sale financial assets	427	1 028	390	910
Held-to-maturity financial assets				
TOTAL	**462**	**1 381**	**488**	**973**

Capital markets activities are shown at market value and other activities at par value. Outstandings are shown net of credit default swaps.

Residual contractual maturity	**Spain**	**Italy**	**Spain**	**Italy**
< 1 year	419	810	333	338
1 to 3 years	8	384	106	373
3 to 5 years	6	49		203
5 to 10 years		129	32	58
> 10 years	29	9	17	1
Total	**462**	**1 381**	**488**	**973**

NOTE 8 - Customers

8a - Loans and receivables due from customers

	Dec. 31, 2016	Dec. 31, 2015
Performing loans	196 645	177 538
. Commercial loans	13 001	6 128
. Other customer loans	182 919	170 584
- Home loans	72 834	70 523
- Other loans and receivables, including repurchase agreements	110 085	100 060
. Accrued interest	384	400
. Securities not listed in an active market	340	426
Insurance and reinsurance receivables	257	216
Individually impaired receivables	10 751	10 324
Gross receivables	**207 652**	**188 079**
Individual impairment	-6 725	-6 634
Collective impairment	-403	-434
SUB-TOTAL I	**200 524**	**181 011**
Finance leases (net investment)	13 037	10 031
. Furniture and movable equipment	8 540	5 767
. Real estate	4 030	3 914
. Individually impaired receivables	467	350
Impairment provisions	-232	-139
SUB-TOTAL II	**12 805**	**9 892**
TOTAL	**213 329**	**190 903**
of which non-voting loan stock	*8*	*10*
of which subordinated notes	*15*	*16*

Finance leases with customers

	Dec. 31, 2015	Acquisition	Sale	Other	Dec. 31, 2016
Gross carrying amount	10 031	1 645	-1 237	2 597	13 037
Impairment of irrecoverable rent	-139	-39	37	-90	-232
Net carrying amount	9 892	1 606	-1 200	2 507	12 805

Maturity analysis of minimum future lease payments receivable under finance leases

	< 1 year	**> 1 year and < 5 years**	**> 5 years**	**Total**
Minimum future lease payments receivable	3 226	6 073	2 257	11 556
Present value of future lease payments	3 084	5 878	2 190	11 153
Unearned finance income	**142**	**195**	**67**	**403**

8b - Amounts due to customers

	Dec. 31, 2016	Dec. 31, 2015
. Regulated savings accounts	51,216	43,823
- demand	37,960	31,949
- term	13,256	11,874
. Accrued interest	1	3
Sub-total	**51,217**	**43,826**
. Current accounts	82,180	71,626
. Term deposits and borrowings	42,894	43,532
. Resale agreements	1,575	2,539
. Accrued interest	300	443
. Insurance and reinsurance payables	90	76
Sub-total	**127,039**	**118,215**
TOTAL	**178,256**	**162,041**

NOTE 9 - Held-to-maturity financial assets

	Dec. 31, 2016	Dec. 31, 2015
Securities	10,112	11,393
- Government securities	0	0
- Bonds and other fixed-income securities	10,112	11,393
. Quoted	7,414	8,622
. Not quoted	2,698	2,771
. Conversion	0	0
. Accrued interest	1	3
GROSS TOTAL	**10,112**	**11,396**
of which impaired assets	*20*	*20*
Impairment provisions	-11	-11
NET TOTAL	**10,101**	**11,385**

NOTE 10 - Movements in impairment provisions

	Dec. 31, 2014	Additions	Reversals	Other (1)	Dec. 31, 2015
Loans and receivables due from credit institutions	0	0	0		0
Loans and receivables due from customers	-7,207	-1,227	1,331	-257	-7,360
Available-for-sale securities	-1,452	-40	134	6	-1,351
Held-to-maturity securities	-11	0	0	0	-11
TOTAL	**-8,670**	**-1,267**	**1,466**	**-251**	**-8,722**

At December 31, 2016, provisions on loans and receivables due from customers totalled €7,360 million (€7,207 million at end-2015), of which €403million in collective provisions. Individual provisions relate mainly to ordinary accounts in debit for €632 million (€557million at end-2015) and to provisions on commercial receivables and other receivables (including home loans) for €6,093 million (€6,076 million at end-2015).

(1) Other movements include the entry of factoring and leasing entities acquired in 2016 for € 202 million and € 57 million due to change of consolidation method for Targobank Spain (from equivalent method to full consolidation)

NOTE 11 - Reclassifications of financial instruments

Pursuant to the revised accounting regulations and in the rare situation of a market that was in total disarray, on July 1, 2008, CIC transferred €18.8 billion of assets from the trading portfolio into the available-for-sale portfolio (€16.1 billion) and into the loans and receivables portfolio (€2.7 billion), and €5.5 billion from the available-for-sale portfolio into the loans and receivables portfolio. No further transfers have been made since that date.

	Dec. 31, 2016		Dec. 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables portfolio	626	658	1,179	1,179
AFS portfolio	2,236	2,236	2,418	2,393

	Dec. 31, 2016	Dec. 31, 2015
Gains/(losses) that would have been recognized in the income statement at fair value if the assets had not been reclassified	92	-115
Unrealized gains/(losses) that would have been recognized in equity if the assets had not been reclassified	-146	64
Gains/(losses) recognized in income (net banking income and net additions to/reversals from provisions for loan losses) relating to reclassified assets	62	49

NOTE 12 - Exposures affected by the financial crisis

In accordance with the request by the banking supervisor and market regulator, significant exposures are presented below based on the recommendations of the FSB.
The trading and AFS 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	Carrying amount Dec. 31, 2016	Carrying amount Dec. 31, 2015
RMBS	2,797	3,198
CMBS	51	413
CLO	2,075	1,666
Other ABS	1,640	1,564
Sub-total	***6,564***	*6,840*
RMBS hedged by CDS	0	0
CLO hedged by CDS	5	38
Other ABS hedged by CDS	0	0
Liquidity facilities for RMBD programs	0	0
Liquidity facilities for ABCP programs	185	223
TOTAL	**6,754**	7,101

Unless otherwise stated, securities are not covered by CDS.

Exposures at 12/31/2016	RMBS	CMBS	CLO	Other ABS	Total
Trading	762		113	47	921
AFS	1,500	51	1,814	1,367	4,733
Loans	535		148	226	910
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**
France	130		58	413	600
Spain	72			116	188
United Kingdom	295		85	162	541
Europe excluding France, Spain and United Kingdom	449	51	436	950	1,887
USA	1,850		894	0	2,744
Rest of the world	1		602		603
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**
US Agencies	1,451		-	-	1,451
AAA	686		1,990	972	3,649
AA	157		48	425	630
A	62		22	13	96
BBB	31	51	4	230	316
BB	31				31
B or below	380			0	380
Not rated	-		11		11
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**
Originating 2005 or before	150	51	-	-	201
Originating 2006-2008	650	-	46	32	727
Originating 2009-2011	136	-	-	-	136
Originating 2012-2015	1,862	-	2,030	1,608	5,500
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**

Exposures at 12/31/2015	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,078	71	135	51	1,335
AFS	1,482	342	1267	1,337	4,427
Loans	638		264	175	1,078
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**
France	9	0	22	379	409
Spain	85	0	0	51	136
United Kingdom	374	19	50	188	632
Europe excluding France, Spain and United Kingdom	740	60	553	928	2,281
USA	1,983	333	770	17	3,103
Rest of the world	7	0	272	0	279
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**
US Agencies	1,514	0	0	0	1,514
AAA	800	360	1625	998	3,782
AA	266	0	0	327	593
A	92	0	16	161	269
BBB	40	53	4	60	157
BB	31	0	2	0	33
B or below	455	0	2	17	474
Not rated	0	0	18	0	18
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**
Originating 2005 or before	363	53	0	0	416
Originating 2006-2008	812	333	195	50	1,390
Originating 2009-2011	248	0	0	37	285
Originating 2012-2014	1775	26	1471	1,477	4,748
TOTAL	**3,198**	**413**	**1,666**	**1,564**	**6,840**

NOTE 13 - Corporate income tax

13a - Current income tax

	Dec. 31, 2016	Dec. 31, 2015
Asset (through income statement)	797	596
Liability (through income statement)	456	389

13b - Deferred income tax

	Dec. 31, 2016	Dec. 31, 2015
Asset (through income statement)	770	748
Asset (through shareholders' equity)	178	169
Liability (through income statement)	556	492
Liability (through shareholders' equity)	608	526

Breakdown of deferred income tax by major categories

	Dec. 31, 2016		Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
. Temporary differences on:				
- Deferred gains (losses) on available-for-sale securities	178	608	169	526
- Impairment provisions	452		432	
- Unrealized finance lease reserve		250		223
- Remeasurement of financial instruments	469	436	614	576
- Accrued expenses and accrued income	140	61	127	50
- Tax losses	6		0	
- Insurance activities	20	199	163	205
- Other timing differences	55	-19	34	62
. Netting	-372	-372	-623	-622
Total deferred tax assets and liabilities	947	1,163	916	1,018

Deferred taxes are calculated using the liability method. For the French entities, the deferred tax rate is 34.43%

NOTE 14 - Accruals, other assets and other liabilities

14a - Accruals and other assets

	Dec. 31, 2016	Dec. 31, 2015
Accruals - assets		
Collection accounts	115	56
Currency adjustment accounts	967	624
Accrued income	469	392
Other accruals	1 519	3 888
Sub-total	**3 070**	**4 960**
Other assets		
Securities settlement accounts	120	90
Guarantee deposits paid	6 091	5 579
Miscellaneous receivables	3 924	3 463
Inventories	13	15
Other	15	2
Sub-total	**10 164**	**9 150**
Other insurance assets		
Technical reserves - reinsurers' share	319	296
Other expenses	113	103
Sub-total	**432**	**400**
TOTAL	**13 666**	**14 509**

14b - Accruals and other liabilities

	Dec. 31, 2016	Dec. 31, 2015
Accruals - liabilities		
Accounts unavailable due to collection procedures	265	231
Currency adjustment accounts	15	40
Accrued expenses	830	748
Deferred income	657	657
Other accruals	1 940	5 114
Sub-total	**3 707**	**6 790**
Other liabilities		
Securities settlement accounts	270	242
Outstanding amounts payable on securities	231	51
Other payables	5 588	4 223
Sub-total	**6 088**	**4 516**
Other insurance liabilities		
Deposits and guarantees received	200	194
Sub-total	**200**	**194**
TOTAL	**9 995**	**11 500**

NOTE 15 - Investments in associates

Equity value and share of net income (loss)

		Dec. 31, 2016					
		Country	Percent interest	Investment value	Share of net income (loss)	Dividends received	Investments in joint ventures
Entities over which significant influence is exercised							
ACM Nord IARD	Unlisted	France	49,00%	39	7	9	NC*
ASTREE Assurances	Listed	Tunisia	30,00%	18	2	1	18
Banco Popular Español	Listed	Spain	3,95%	245	-262	4	152
Banque de Tunisie	Listed	Tunisia	34,00%	173	14	6	198
Banque Marocaine du Commerce Extérieur (BMCE)	Listed	Morocco	26,21%	1 039	52	19	984
CMCP - Crédit Mutuel Cartes de Paiement	Unlisted	France	45,05%	1	0	0	NC*
Euro-Information	Unlisted	France	26,36%	308	24	1	NC*
Euro Protection Surveillance	Unlisted	France	25,00%	22	6	0	NC*
NELB (North Europe Life Belgium)	Unlisted	Belgium	49,00%	21	3	0	NC*
Royale Marocaine d'Assurance (formely RMA Watanya)	Unlisted	Morocco	22,02%	102	33	10	NC*
SCI La Tréflière	Unlisted	France	46,09%	10	0	0	NC*
Other	Unlisted			2	1	0	NC*
TOTAL (1)				**1 981**	**-120**	**49**	
Joint ventures							
Bancas	Unlisted	France	50,00%	1	0	0	NC*
Banque Casino	Unlisted	France	50,00%	47	-2	0	NC*
TOTAL (2)				**48**	**-2**	**0**	
TOTAL (1) + (2)				**2 028**	**-122**	**49**	

** NC: not communicated*

		Country	Percent interest	Investment value	Share of net income (loss)	Dividends received	Investments in joint ventures
				Dec. 31, 2015			
Entities over which significant influence is exercised							
ACM Nord IARD	Unlisted	France	49,00%	41	10	7	NC*
ASTREE Assurances	Listed	Tunisia	30,00%	19	2	1	22
Banco Popular Español	Listed	Spain	3,94%	426	-45	6	260
Banque de Tunisie	Listed	Tunisia	34,00%	180	15	7	208
Banque Marocaine du Commerce Extérieur (BMCE)	Listed	Morocco	26,21%	998	51	17	934
CMCP - Crédit Mutuel Cartes de Paiement	Unlisted	France	45,05%	1	0	0	NC*
Euro-Information	Unlisted	France	26,36%	286	22	0	NC*
Euro Protection Surveillance	Unlisted	France	25,00%	17	5	0	NC*
RMA Watanya	Unlisted	Morocco	22,02%	80	14	14	NC*
Amgen Seguros Generales Compañia de Seguros y Reaseguros SA (formely Royal Automobile Club de Catalogne) **	Unlisted	Spain	100,00%	0	3	0	NC*
SCI Treflière	Unlisted	France	46,09%	10	0	0	NC*
Other	Unlisted			2	0	0	NC*
TOTAL (1)				**2 060**	**77**	**52**	
Joint ventures							
Bancas	Unlisted	France	50,00%	1	0	0	NC*
Banque du groupe Casino	Unlisted	France	50,00%	46	-25	0	NC*
Targobank Espagne **	Unlisted	Spain	50,00%	348	7	0	NC*
TOTAL (2)				**395**	**-19**	**0**	
TOTAL (1) + (2)				**2 455**	**59**	**52**	

** NC: not communicated*

*** The AMGEN and Targobank Spain entities are consolidated under the full consolidation method at 31 December 2016.*

Banco Popular Español (BPE) :

BPE is consolidated as an associate in light of the significant influence relationship between it and the Group: Crédit Mutuel - CIC is represented on the BPE board of directors, the two groups have a banking joint venture and there are numerous cross-commercial agreements on the Franco-Spanish retail and corporate markets.

The investment's carrying amount reflects the Group's share of BPE's net assets (IFRS) up to its recoverable value, based on its value in use. This is calculated using projected future discounted cash flows distributable to shareholders, taking into account regulatory requirements relating to credit institutions' equity levels. The cash flow discount rate was determined using the long-term interest rate on Spanish government debt, plus a BPE risk premium taking into account the sensitivity of its share price to market risk, calculated by reference to the Ibex 35 index on the Madrid Stock Exchange.

The investment in BPE underwent an impairment test on December 31, 2016, which resulted in the recognition of a €128.4 million impairment provision in respect of the year.

Financial data published by the major associates

	Total assets	NBI or revenue	Operating income before	Net income	OCI reserves	Shareholders' equity
			Dec. 31, 2016			
Entities over which significant influence is exercised						
ACM Nord	198	154	25	17	2	74
ASTREE Insurance(2)	424	131	20	14	50	160
Banco Popular Español	147 926	2 826	798	-3 485	-289	11 088
Banque de Tunisie(1)(2)	4 366	213	104	90	NC*	673
Banque Marocaine du Commerce Extérieur(1)(3)	279 422	11 817	4 884	2 655	73	22 110
Euro Information (1)	1 097	1 030	119	74	0	923
Euro Protection Surveillance (1)	142	142	31	21	0	100
RMA Watanya(1)(3)	314 114	5 047	3 622	466	3 424	4 627
Joint ventures						
Banque Casino	866	106	50	5	0	81

*(1) 2015 amounts (2) in millions of Tunisian Dinars (3) in millions of Moroccan Dirhams *NC: not communicated*

	Total assets	NBI or revenue	Operating income before	Net income	OCI reserves	Shareholders' equity
			Dec. 31, 2015			
Entities over which significant influence is exercised						
ACM Nord	190	153	30	19	2	76
ASTREE Insurance(1)(2)	395	124	15	13	49	153
Banco Popular Español	158 650	3 431	1 689	105	-222	12 515
Banque de Tunisie(1)(2)	4 030	196	104	88	NC*	628
Banque Marocaine du Commerce Extérieur(1)(3)	247 243	11 497	5 004	2 692	141	20 803
Euro Information (1)	1 010	953	104	66	0	849
Euro Protection Surveillance (1)	117	132	26	18	0	79
RMA Watanya(1)(3)	281 907	4 840	3 276	385	3 248	5 005
Joint ventures						
Banque Casino	829	93	39	-1	0	71
Targobank Spain	2 526	94	31	14	0	329

*(1) 2014 amounts (2) in millions of Tunisian Dinars (3) in millions of Moroccan Dirhams *NC: not communicated*

NOTE 16 - Investment property

	Dec. 31, 2015	Additions	Disposals	Other movements	Dec. 31, 2016
Historical cost	2 136	99	-4	-3	2 228
Accumulated depreciation and impairment provisions	-302	-24	4	-4	-325
Net amount	**1 834**	**75**	**0**	**-7**	**1 903**

The fair value of investment property recognized at amortized costs was €2,597 million at December 31, 2016.

NOTE 17 - Property, equipment and intangible assets

17a - Property and equipment

	Dec. 31, 2015	Additions	Disposals	Other movements	Dec. 31, 2016
Historical cost					
Land used in operations	443	1	-8	3	438
Buildings used in operations	2,922	99	-62	30	2,988
Other property and equipment	1,290	95	-118	-50	1,217
TOTAL	**4,654**	**194**	**-188**	**-17**	**4,643**
Accumulated depreciation and impairment provisions					
Land used in operations	-3	-2	0	0	-5
Buildings used in operations	-1,801	-110	50	-14	-1,874
Other property and equipment	-980	-55	64	53	-918
TOTAL	**-2,784**	**-167**	**114**	**39**	**-2,797**
TOTAL - Net amount	**1,870**	**28**	**-74**	**23**	**1,846**

17 b - Intangible assets

	Dec. 31, 2015	Additions	Disposals	Other movements	Dec. 31, 2016
Historical cost					
. Internally developed intangible assets	16	0	0	0	16
. Purchased intangible assets	1,400	27	-39	40	1,428
- software	467	17	-19	32	497
- other	933	9	-19	8	931
TOTAL	**1,416**	**27**	**-39**	**40**	**1,444**
Accumulated depreciation and impairment provisions					
. Internally developed intangible assets					
. Purchased intangible assets	-715	-179	45	-28	-878
- software	-432	-36	16	-30	-481
- other	-284	-144	28	2	-396
TOTAL	**-715**	**-179**	**45**	**-28**	**-878**
Net amount	**700**	**-153**	**6**	**12**	**566**

NOTE 18 - Goodwill

	Dec. 31, 2015	Additions	Disposals	Impairment losses/reversals	Other movements	Dec. 31, 2016
Goodwill, gross	4,223	343	0		-3	4,563
Impairment provisions	-291	0		-187	3	-475
Goodwill, net	**3,932**	**343**	**0**	**-187**	**0**	**4,088**

Subsidiaries	Goodwill as of Dec. 31, 2015	Additions	Disposals	Impairment losses/reversals	Other movements	Goodwill as of Dec. 31, 2016
Targobank Germany	2781					2,781
Crédit Industriel et Commercial (CIC)	506					506
Cofidis Participations	387				70	457
Targobank Espagne*		187		-187		0
Cofidis SGPS SA	70				-70	0
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA (formely Royal Automobile Club de Catalogne)	51				2	53
CM-CIC Investissement SCR	21					21
CIC Iberbanco	15					15
Banque de Luxembourg	13					13
Cofidis Italie	9					9
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Factofrance SAS		80				80
Heller Gmbh et Targo Leasing GmbH		75				75
Other expenses	67				-2	66
TOTAL	**3,932**	**343**	**0**	**-187**	**0**	**4,088**

** In March 2016, BFCM acquired an additional 1.02% stake in Targobank Spain for a total ownership interest of 51.02%. This makes Crédit Mutuel-CM11 Group the majority owner. Goodwill was thus measured on the acquisition date at €187 million based on shareholders' equity at end-March, in accordance with revised IFRS 3. In light of developments since that date (new management team, new management outlook, etc.), goodwill was fully amortized from the end of first-half 2016.*

The cash generating units to which goodwill is assigned are tested annually to ascertain their recoverable value. A goodwill impairment loss is recognized if the recoverable amount is less than the carrying amount.

Recoverable value is calculated using two methods:

· Fair value minus selling costs, which is based on observing valuation multiples on comparable transactions or market parameters used by analysts on similar entities or activities;

. Value in use, which is determined by discounting expected future cash flows.

To calculate value in use, cash flows are based on business plans established by management for a maximum period of five years, then on projected cash flows to infinity based on a long-term growth rate. The long-term growth rate is set at 2.5% for all European entities, an assumption determined in comparison to the observed very-long-term inflation rate.

Future cash flows are discounted at a rate corresponding to the cost of capital, which is determined based on a long-term risk-free rate to which a risk premium is added. The risk premium is determined by observing the price sensitivity relative to the market for listed assets or by analyst estimates for unlisted assets.

The key sensitivity factors in the recoverable value test based on value in use are the discount rate and anticipated future flow levels. When value in use has been used for impairment testing purposes, the parameters and their sensitivity is as follows:

	Targobank Germany Network bank	**Cofidis** Consumer credit
Capital cost	9.00%	9.00%
Effect of 50 basis point increase in capital cost	-342	-223
Effect of 1% decrease in future cash flows	-50	-31

NOTE 19 - Debt securities

	Dec. 31, 2016	Dec. 31, 2015
Retail certificates of deposit	211	200
Interbank instruments and money market securities	61,262	50,810
Bonds	49,406	52,783
Accrued interest	1,424	1,384
TOTAL	**112,304**	**105,176**

NOTE 20 - Technical reserves of insurance companies

	Dec. 31, 2016	Dec. 31, 2015
Life	70,569	67,348
Non-life	3,138	2,770
Unit of account	7,545	6,824
Other expenses	294	287
TOTAL	**81,547**	**77,229**
Of which deferred profit-sharing - liability	*9,956*	*8,081*
Deferred profit sharing - assets	**0**	**0**
Reinsurers' share of technical reserves	**319**	**296**
TOTAL - Net technical reserves	**81,228**	**76,933**

NOTE 21 - Provisions

	Dec. 31, 2015	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	Dec. 31, 2016
Provisions for risks	**245**	**143**	**-26**	**-76**	**20**	**305**
Signature commitments	108	53	-10	-35	3	119
Financing and guarantee commitments	3	0	-1	-1	0	1
On country risks	0	0	0	0	0	0
Provision for taxes	40	10	0	-12	0	38
Provisions for claims and litigation	72	30	-15	-15	14	86
Provision for risks on miscellaneous receivables	22	50	0	-13	3	61
Other provisions	**885**	**302**	**-143**	**-44**	**-14**	**986**
Provisions for home savings accounts and plans	45	10	0	-1	1	55
Provisions for miscellaneous contingencies	477	181	-132	-7	-4	515
Other provisions (1)	363	111	-11	-36	-11	416
Provision for retirement benefits	**694**	**43**	**-20**	**-6**	**233**	**944**
Retirement benefits - defined benefit and equivalent, excluding pension funds						
Retirement bonuses (2)	571	32	-14	-4	117	701
Supplementary retirement benefits	60	5	-5	-1	100	159
Long service awards (other long-term benefits)	48	4	-1	-1	3	53
Sub-total recognized	679	41	-20	-6	220	913
Supplementary retirement benefit - defined benefit, provided by Group's pension funds						
Provision for pension fund shortfalls (3)	15	2	0	0	14	31
Sub-total recognized	15	2	0	0	14	31
TOTAL	**1,824**	**488**	**-190**	**-126**	**239**	**2,235**

Assumptions used	**2016**	**2015**
Discount rate(4)	1.2%	2.0%
Annual increase in salaries(5)	Minimum 0.5%	Minimum 0.8%

(1) Other provisions include provisions set aside in respect of economic interest groupings (EIG) totaling €345 million.

(2) The other changes result from the change in the discount rate, estimated using the IBOXX index, which was retained at 1.20% at December 31, 2016, compared with 2% at December 31, 2015

(3) The provisions for pension fund shortfalls relate to entities located abroad.

(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 estimated cumulative future salary inflation rate.

Movements in provision for retirement bonuses

	Dec. 31, 2015	Discounted amount	Financial income	Cost of services performed	Other costs incl. Past service	Actuarial gains (losses) relating to changes in assumptions		Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31,2016
						demographic	financial					
Commitments	962	20	0	37	-2	-1	121	-34	0	2	3	1,109
Non-group insurance contract and externally managed assets	392	0	8	0		0	5	-1	4	0	0	408
Provisions	**571**	**20**	**-8**	**37**	**-2**	**-1**	**115**	**-33**	**-4**	**2**	**3**	**701**

	Dec. 31, 2014	Discounted amount	Financial income	Cost of services performed	Other costs incl. Past service	Actuarial gains (losses) relating to changes in assumptions		Payment to beneficiaries	Contributions to the plan	Mobility transfer	Other	Dec. 31,2015
						demographic	financial					
Commitments	1,020	18	0	38	2	0	-65	-34	0	-1	-16	962
Non-group insurance contract and externally managed assets	382	0	8	0		0	-2	0	4	0	0	392
Provisions	**638**	**18**	**-8**	**38**	**2**	**0**	**-63**	**-34**	**-4**	**0**	**-16**	**571**

A change of plus or minus 50 basis points in the discount rate would result in, respectively, a fall of €113 million / an increase of €118 million in the commitment. The term of the commitments (excluding foreign entities) is 18 years.

Change in the fair value of plan assets

in € thousands	Fair value of assets Dec. 31, 2015	Discounted amount	Actuarial gains (losses)	Yield of plan assets	Contributions by plan participants	Employer contributions	Payment to beneficiaries	Foreign exchange effect	Other	Fair value of assets Dec. 31, 2016
Fair value of plan assets	587,863	2,354	12,540	10,051	3,855	17,274	-17,029	0	-47	616,860

in € thousands	Fair value of assets Dec. 31, 2014	Discounted amount	Actuarial gains (losses)	Yield of plan assets	Contributions by plan participants	Employer contributions	Payment to beneficiaries	Foreign exchange effect	Other	Fair value of assets Dec. 31, 2015
Fair value of plan assets	585,777	4,069	-4,774	10,111	3,375	2,270	-12,965	0	0	587,863

Details of the fair value of plan assets

	Dec. 31, 2016				Dec. 31, 2015			
	Debt securities	Equity instruments	Real estate	Other	Debt securities	Equity instruments	Real estate	Other
Assets listed on an active market	76%	21%	0%	2%	72%	20%	0%	2%
Assets not listed on an active market	0%	0%	1%	0%	0%	0%	1%	0%
Total	76%	21%	1%	2%	72%	20%	1%	2%

Provisions for signature risk on home savings accounts and plans

	Dec. 31, 2016	Dec. 31, 2015
Home savings plans		
Contracted less than 10 years ago	7,060	5,822
Contracted more than 10 years ago	2,515	2,625
Total	**9,575**	**8,447**
Amounts outstanding under home savings accounts	**596**	**587**
Total	**10,172**	**9,034**

Home savings loans	Dec. 31, 2016	Dec. 31, 2015
Balance of home savings loans giving rise to provisions for risks reported in assets	55	79

Provisions for home savings accounts and plans	**Dec. 31, 2015**	**Net additions/ reversals**	**Other movements**	**Dec. 31, 2016**
On home savings accounts	5			4
On home savings plans	39	10		49
On home savings loans	2	(1)		1
Total	**46**	**9**		**54**
Maturity analysis				
Contracted less than 10 years ago	23	20		43
Contracted more than 10 years ago	16	(11)		5
Total	**39**	**9**		**48**

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 individual customers. These products combine a stage of interest-bearing savings, which give right to a preferential housing loan in a second stage. These products place a twofold commitment on the distributor:
- a commitment to provide a future 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 on 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 increase in provisions for risks during the fiscal year is mainly due to:
- A change to the behavioral law used for PEL deposits, which now reflects the correlation between PEL account closures (with no loan having been arranged) and interest rates: thus, when market rates are low, PEL account holders are more inclined to maintain their best-remunerated deposits; this would result in an increase in the provision.
- An increase in the CEL provision due to a reduction in CEL loan interest rates resulting from a lower inflation rate: a higher provision is required when the spread widens between CEL loan rates and more traditional housing loan rates.

NOTE 22 - Subordinated debt

	Dec. 31, 2016	Dec. 31, 2015
Subordinated debt	5,611	4,726
Non-voting loan stock	24	26
Perpetual subordinated loan stock	1,661	1,932
Other debt	0	0
Accrued interest	64	57
TOTAL	**7,360**	**6,741**

Main subordinated debt issues

(in € millions)	**Type**	**Issue date**	**Amount issued**	**Amount as end of exercice (1)**	**Rate**	**Maturity**
Banque Fédérative du Crédit Mutuel	Subordinated note	Dec. 6, 2011	€1,000m	€1,000m	5.30	Dec. 6, 2018
Banque Fédérative du Crédit Mutuel	Subordinated note	Oct. 22, 2010	€1,000m	€911m	4.00	Oct. 22, 2020
Banque Fédérative du Crédit Mutuel	Subordinated note	May 21, 2014	€1,000m	€1,000m	3.00	May 21, 2024
Banque Fédérative du Crédit Mutuel	Subordinated note	Sept. 11,2015	€1,000m	€1,000m	3.00	Sept. 11,2025
Banque Fédérative du Crédit Mutuel	Subordinated note	Mar. 24, 2016	€1,000m	€1,000m	2.48	Mar. 24, 2026
Banque Fédérative du Crédit Mutuel	Subordinated note	Nov. 04, 2016	€700m	€700m	1.88	Nov. 04, 2026
CIC	Non-voting loan stock	May 28, 1985	€137m	€10m	(2)	(3)
Banque Fédérative du Crédit Mutuel	Debt	Dec. 28, 2005	€500m	€500m	(4)	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Dec. 15, 2004	€750m	€737m	(5)	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Feb. 25, 2005	€250m	€250m	(6)	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Oct. 17, 2008	€147m	€147m	(7)	No fixed maturity

(1) Amounts net of intra-Group balances.
(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(3) Non amortizable, but redeemable at borrower's discretion with effect from May 28, 1997 at 130% of par revalued by 1.5% annually for subsequent years.
(4) Euribor 1y + 0.3 basis point.
(5) 10-year CMS ISDA CIC + 10 basis points.
(6) 10-year CMS ISDA + 10 basis points.
(7) Euribor 3m + 665 basis points

NOTE 23 - Shareholders' equity

23a - Shareholders' equity (excluding unrealized or deferred gains and losses) attributable to the Group

	Dec. 31, 2016	Dec. 31, 2015
. Capital stock and issue premiums	6 197	6 197
- Capital stock	1 689	1 689
- Issue premiums	4 509	4 509
. Consolidated reserves	14 006	12 631
- Regulated reserves	8	6
- Other reserves (including effects related to first-time application of standards)	13 997	12 624
- Retained earnings	1	1
. Net income for the year	1 655	1 541
TOTAL	**21 857**	**20 370**

23b - Unrealized or deferred gains and losses

	Dec. 31, 2016	Dec. 31, 2015
Unrealized or deferred gains and losses* relating to:		
. Available-for-sale financial assets		
- equities	799	1 034
- bonds	687	560
. Hedging derivative instruments (cash flow hedges)	-19	-20
. Actuarial gains and losses	-264	-162
. Translation adjustments	95	159
. Share of unrealized or deferred gains and losses of associates	17	14
TOTAL	**1 315**	**1 584**
Attributable to the Group	*968*	*1 287*
Attributable to minority interests	*347*	*298*

** Net of tax.*

23c - Recycling of gains and losses recognized directly in equity

	Changes 2016	Changes 2015
Translation adjustments		
- Reclassification in income	-66	0
- Other movements	3	79
- Translation adjustment	*-63*	*79*
Remeasurement of available-for-sale financial assets		
- Reclassification in income	-213	-60
- Other movements	104	233
Remeasurement of available-for-sale financial assets	*-108*	*172*
Remeasurement of hedging derivative instruments		
- Reclassification in income	0	0
- Other movements	1	-2
Remeasurement of hedging derivatives	*1*	*-2*
- Share of unrealized or deferred gains and losses of associates	3	-1
Share of unrealized or deferred gains and losses of associates	*3*	*-1*
TOTAL - Recyclable gains and losses	***-168***	***248***
- Remeasurement of non-current assets	0	0
- Actuarial gains and losses on defined benefit plans	-102	47
TOTAL - Non-recyclable gains and losses	**-102**	**47**
Total gains and losses recognized directly in shareholders' equity	**-270**	**295**

23d - Tax on components of gains and losses recognized directly in equity

	Changes 2016			Changes 2015		
	Gross amount	Corporate income tax	Net amount	Gross amount	Corporate income tax	Net amount
Translation adjustments	-63		-63	79		79
Remeasurement of available-for-sale financial assets	-165	57	-108	263	-90	172
Remeasurement of hedging derivatives	2	-1	1	-3	1	-2
Remeasurement of non-current assets	0		0	0		0
Actuarial gains and losses on defined benefit plans	-155	53	-102	72	-25	47
Share of unrealized or deferred gains and losses of associates	3		3	-1		-1
Total gains and losses recognized directly in shareholders' equity	**-379**	**110**	**-270**	**409**	**-114**	**295**

NOTE 24 - Commitments given and received

Commitments and guarantees given	Dec. 31, 2016	Dec. 31, 2015
Financing commitments		
Commitments given to credit institutions	1,316	3,437
Commitments given to customers	43,180	40,768
Guarantee commitments		
Guarantees given on behalf of credit institutions	2,560	1,291
Guarantees given on behalf of customers	15,191	14,939
Commitments on securities		
Other commitments given	89	783
Commitments given by the Insurance business line	1,379	1,071

Commitments and guarantees received	Dec. 31, 2016	Dec. 31, 2015
Financing commitments		
Commitments received from credit institutions	17,664	4,586
Engagements reçus de la clientèle	56	0
Guarantee commitments		
Commitments received from credit institutions	38,745	33,210
Commitments received from customers	11,437	10,741
Commitments on securities		
Other commitments received	740	503
Commitments received by the Insurance business line	4,713	3,714

Securities sold under repurchase agreements	Dec. 31, 2016	Dec. 31, 2015
Amounts received under resale agreements	32,479	31,433
Related liabilities	32,125	31,758

Assets given as collateral for liabilities	Dec. 31, 2016	Dec. 31, 2015
Security deposits on market transactions	6,091	5,579
Total	**6,091**	**5,579**

For the purposes of its refinancing activities, the Group enters into repurchase agreements in respect of debt securities and/or equity securities. These agreements result in the transfer of the ownership of securities that the transferee may in turn lend. Coupons and dividends are the property of the borrower. These transactions are subject to margin calls and the Group is exposed to the non-return of securities.

NOTE 25 - Interest income, interest expense and equivalent

	Dec. 31, 2016		Dec. 31, 2015	
	Income	Expense	Income	Expense
. Credit institutions and central banks	576	-427	999	-580
. Customers	9,058	-3,827	8,992	-3,963
- of which finance leases and operating leases	2,910	-2,609	2,751	-2,482
. Hedging derivative instruments	2,038	-2,194	2,126	-2,503
. Available-for-sale financial assets	504		473	
. Held-to-maturity financial assets	162		255	
. Debt securities		-1,881		-1,916
. Subordinated debt		-28		-52
TOTAL	**12,337**	**-8,357**	**12,844**	**-9,014**

NOTE 26 - Fees and commissions

	Dec. 31, 2016		Dec. 31, 2015	
	Income	Expense	Income	Expense
Credit institutions	3	-8	3	-38
Customers	1,084	-13	1,054	-13
Securities	701	-64	742	-63
of which funds managed for third parties	*516*		*516*	
Derivative instruments	3	-4	3	-7
Foreign exchange	21	-2	23	-2
Financing and guarantee commitments	94	-12	96	-10
Services provided	1,440	-894	1,333	-871
TOTAL	**3,347**	**-997**	**3,254**	**-1,004**

NOTE 27 - Net gain (loss) on financial instruments at fair value through profit or loss

	Dec. 31, 2016	Dec. 31, 2015
Trading derivative instruments	487	430
Instruments designated under the fair value option(1)	369	173
Ineffective portion of hedging instruments	6	1
. Cash flow hedges	0	0
. Fair value hedges	6	1
. Change in fair value of hedged items	-230	-57
. Change in fair value of hedging items	236	58
Foreign exchange gains (losses)	41	72
Total changes in fair value	**903**	**676**

(1) of which €195 million relating to the Private equity business line vs €166 million as of Déc. 31, 2015

NOTE 28 - Net gain (loss) on available-for-sale financial assets

	Dec. 31, 2016			
	Dividends	Realized gains (losses)	Impairment losses	Total
. Government securities, bonds and other fixed-income securities		181	0	181
. Equities and other variable-income securities	67	-49	-9	9
. Long-term investments (1)	36	468	-12	493
. Other expenses	0	0	0	0
TOTAL	**104**	**601**	**-21**	**684**

(1) Includes the result of the sale of Visa securities

	Dec. 31, 2015			
	Dividends	Realized gains (losses)	Impairment losses	Total
. Government securities, bonds and other fixed-income securities		216	0	216
. Equities and other variable-income securities	55	77	11	143
. Long-term investments (1)	36	-69	87	54
. Other expenses	0	-1	0	-1
TOTAL	**92**	**222**	**98**	**412**

(1) Following TUP CIC Group entities wearing BPM titles, it was found in 2015, €98 million of confusion Mali and €89 million of reversals of provisions for risks and charges (see Note 21) .

NOTE 29 - Other income and expense

	Dec. 31, 2016	Dec. 31, 2015
Income from other activities		
. Insurance contracts	11,882	12,301
. Investment property	2	2
- Reversals of depreciation, amortization and impairment charges	2	1
- Capital gains on disposals	0	1
. Rebilled expenses	77	75
. Other income	837	811
Sub-total	**12,798**	**13,188**
Expenses on other activities		
. Insurance contracts	-10,175	-10,509
. Investment property	-36	-37
- depreciation, amortization and impairment charges (based on the accounting method selected)	-36	-37
. Other expenses	-674	-570
Sub-total	**-10,885**	**-11,117**
Other income and expense, net	**1,913**	**2,071**

Net income from the Insurance business line

	Dec. 31, 2016	Dec. 31, 2015
Earned premiums	9,920	9,987
Claims and benefits expenses	-6,745	-6,407
Movements in provisions	-3,414	-4,112
Other technical and non-technical income and expense	56	78
Net investment income	1,889	2,244
Total	**1,707**	**1,791**

NOTE 30 - General operating expenses

	Dec. 31, 2016	Dec. 31, 2015
Payroll costs	-3,048	-2,920
Other operating expenses	-2,739	-2,537
TOTAL	**-5,787**	**-5,458**

30a - Payroll costs

	Dec. 31, 2016	Dec. 31, 2015
Salaries and wages	-2,002	-1,924
Social security contributions(1)	-714	-664
Employee benefits - short-term	-2	-2
Incentive bonuses and profit-sharing	-147	-140
Payroll taxes	-181	-191
Other expenses	-2	1
TOTAL	**-3,048**	**-2,920**

(1) The CICE tax credit for competitiveness and employment is recognized as a credit to payroll costs and amounted to €34 million in 2016.

The CICE enabled, in particular, the maintenance of or even an increase in financing for employee training at a level well above the regulatory requirements, and enhancement of the Group's overall competitiveness, particularly through:
- investment in new technologies such as digital applications (tablets) and videoconferencing systems on portable computers, enabling customers and members to not only remain in closer contact with their customer relationship managers but also to achieve energy savings;
- IT developments concerning new telephone-based means of payment and related services,
- IT developments concerning the redesigning of the website providing customers and members with better overall information about the accounts and services offered;
- research into new services benefiting our merchant customers,
- searching for new domestic and international markets.

Number of employees

Average number of employees	Dec. 31, 2016	Dec. 31, 2015
Banking staff	26,082	25,176
Management	15,860	14,570
TOTAL	**41,942**	**39,746**
Analysis by country		
France	28,824	27,987
Rest of the world	13,118	11,759
TOTAL	**41,942**	**39,746**

	Dec. 31, 2016	Dec. 31, 2015
*Number of employees at end of year**	**45,522**	**42,825**

** The number of employees at end of year corresponds to the total number of employees in all entities controlled by the Group as of December 31. In contrast, the consolidated average number of employees (full-time equivalent, or FTE) is limited to the scope of financial consolidation (full consolidation).*

30b - Other operating expenses

	Dec. 31, 2016	Dec. 31, 2015
Taxes and duties (1)	-298	-248
External services	-2,133	-2,010
Other miscellaneous expenses (transportation, travel, etc.)	13	5
TOTAL	**-2,418**	**-2,252**

(1) Including € 63 million for the contribution to the Single Resolution Fund in 2016 compared with € 32 million in 2015.

30c - Depreciation, amortization and impairment of property, equipment and intangible assets

	Dec. 31, 2016	Dec. 31, 2015
Depreciation and amortization	-227	-265
- property and equipment	-167	-172
- intangible assets	-60	-93
Impairment losses	-95	-21
- property and equipment	0	2
- intangible assets	-94	-23
TOTAL	**-321**	**-286**

NOTE 31 - Net additions to/reversals from provisions for loan losses

Dec. 31, 2016	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
Credit institutions	0	9	0	0	0	8
Customers	-1,184	1,284	-717	-287	156	-748
. Finance leases	-14	15	-9	-2	0	-9
. Other customer items	-1,170	1,269	-708	-285	156	-739
Sub-total	**-1,184**	**1,293**	**-717**	**-287**	**156**	**-740**
Held-to-maturity financial assets	0	0	0	0	0	0
Available-for-sale financial assets	-1	0	-4	-15	14	-6
Other	-52	51	-1	-2	0	-3
TOTAL	**-1,237**	**1,344**	**-722**	**-305**	**171**	**-749**

Dec. 31, 2015	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
Credit institutions	0	30	-2	0	0	27
Customers	-1,176	1,209	-596	-308	164	-707
. Finance leases	-7	4	-2	-2	1	-7
. Other customer items	-1,169	1,206	-594	-306	163	-700
Sub-total	**-1,176**	**1,239**	**-598**	**-308**	**164**	**-679**
Held-to-maturity financial assets	0	4	0	0	0	4
Available-for-sale financial assets	0	28	-32	-23	1	-26
Other	-40	48	-2	-1	0	5
TOTAL	**-1,216**	**1,320**	**-633**	**-332**	**165**	**-696**

NOTE 32 - Gains (losses) on other assets

	Dec. 31, 2016	Dec. 31, 2015
Property, equipment and intangible assets	13	-8
. Losses on disposals	-9	-15
. Gains on disposals	22	6
Gain (loss) on consolidated securities sold	0	-6
TOTAL	**13**	**-14**

NOTE 33 - Change in value of goodwill

	Dec. 31, 2016	Dec. 31, 2015
Impairment of goodwill	-187	-90
TOTAL	**-187**	**-90**

NOTE 34 - Corporate income tax

Breakdown of income tax expense

	Dec. 31, 2016	Dec. 31, 2015
Current taxes	-1,154	-1,121
Deferred taxes	59	-11
Adjustments in respect of prior years	-4	-10
TOTAL	**-1,100**	**-1,142**

Reconciliation between the corporate income tax expense recognized and the theoretical tax expense

	Dec. 31, 2016	Dec. 31, 2015
Taxable income	3,121	2,939
Theoretical tax rate	34.43%	38.00%
Theoretical tax expense	**-1,074**	**-1,117**
Impact of preferential “SCR” and “SICOMI” rates	48	-43
Impact of the reduced rate on long-term capital gains	155	-6
Impact of different tax rates paid by foreign subsidiaries	-22	42
Permanent timing differences	-95	15
Other impacts	-111	-11
Tax expense	**-1,100**	**-1,120**
Effective tax rate	35.24%	38.12%

NOTE 35 - Earnings per share

	Dec. 31, 2016	Dec. 31, 2015
Net income attributable to the Group	1,655	1,542
Number of stock units at beginning of year	33,770,590	31,467,593
Number of stock units at end of year	33,770,590	33,770,590
Weighted average number of stock units	33,770,590	32,619,092
Basic earnings per share	48.99	47.28
Additional weighted average number of stock units assuming full dilution	0	0
Diluted earnings per share	48.99	47.28

NOTE 36 - Fair value hierarchy of financial instruments recognized at amortized cost

The estimated fair values presented are calculated based on observable parameters at December 31, 2016 and are obtained by computing estimated discounted future cash flows using a risk-free yield curve. For asset items, the yield curve factors in a credit spread calculated for the CM11-CIC group as a whole, which is revised on a yearly basis.
The financial instruments discussed in this note relate to loans and borrowings. They do not include non-monetary elements (equities), trade payables, other assets, other liabilities and accruals. Non-financial instruments are not discussed in this section.
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 group entities may also apply assumptions whereby fair value is deemed to equal the carrying amount for those contracts indexed to a floating rate, or whose residual life is one year or less.
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. Accordingly, gains and losses are not recognized.
However, should financial instruments carried at amortized cost be transferred, the selling price may be significantly different from the fair value calculated at December 31, 2016.

Dec. 31, 2016	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**286,093**	**276,569**	**9,524**	**11,355**	**61,178**	**213,560**
Loans and receivables due from credit institutions	54,185	53,138	1,046	44	54,139	1
- Debt securities	486	486	0	44	441	1
- Loans and advances	53,698	52,652	1,046	0	53,698	0
Loans and receivables due from customers	220,399	213,329	7,070	91	6,749	213,559
- Debt securities	339	340	-1	91	14	234
- Loans and advances	220,060	212,989	7,071	0	6,735	213,325
Held-to-maturity financial assets	11,509	10,101	1,408	11,220	289	0
Liabilities	**360,289**	**353,394**	**6,895**	**0**	**262,946**	**97,343**
Due to credit institutions	55,340	55,474	-134	0	55,340	0
Due to customers	179,649	178,256	1,394	0	82,307	97,343
Debt securities	117,397	112,304	5,094	0	117,397	0
Subordinated debt	7,902	7,360	542	0	7,902	0

Dec. 31, 2015	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**298,511**	**289,167**	**9,344**	**12,285**	**100,055**	**186,171**
Loans and receivables due from credit institutions	86,509	86,879	-370	269	86,212	27
- Debt securities	936	935	1	269	640	27
- Loans and advances	85,572	85,944	-372	0	85,572	0
Loans and receivables due from customers	199,124	190,903	8,221	146	12,842	186,135
- Debt securities	421	426	-4	146	43	232
- Loans and advances	198,702	190,477	8,225	0	12,799	185,904
Held-to-maturity financial assets	12,879	11,385	1,494	11,869	1,001	8
Liabilities	**329,747**	**323,249**	**6,498**	**0**	**238,552**	**91,195**
Due to credit institutions	49,145	49,290	-145	0	49,145	0
Due to customers	162,908	162,041	866	0	71,713	91,195
Debt securities	110,361	105,176	5,185	0	110,361	0
Subordinated debt	7,333	6,741	592	0	7,333	0

NOTE 37 - Related party transactions

Statement of financial position items concerning related party transactions

	Dec. 31, 2016			Dec. 31, 2015		
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Parent companies - Crédit Mutuel-CM11 Group	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Parent companies - Crédit Mutuel-CM11 Group
Assets						
Loans, advances and securities						
Loans and receivables due from credit institutions	958	2,206	32,427	795	2,663	36,490
Loans and receivables due from customers	28	16	0	32	48	0
Securities	61	148	763	0	432	1,020
Other assets	6	24	3	4	45	6
TOTAL	1,053	2,395	33,193	831	3,187	37,517
Liabilities						
Deposits						
Due to credit institutions	74	642	8,902	55	2,475	7,676
Due to customers	471	1,537	25	403	2,037	30
Debt securities	0	555	0	0	759	0
Other liabilities	41	64	781	62	90	831
TOTAL	586	2,799	9,708	520	5,361	8,537
Financing and guarantee commitments						
Financing commitments given	390	10	0	410	5	2,200
Guarantee commitments given	13	13	0	13	10	15
Guarantee commitments received	0	543	1,445	0	486	1,223

Income statement items concerning related party transactions

	Dec. 31, 2016			Dec. 31, 2015		
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Parent companies - Crédit Mutuel-CM11 Group	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Parent companies - Crédit Mutuel-CM11 Group
Interest received	13	27	766	14	28	887
Interest paid	0	-27	-46	-1	-39	-72
Fees and commissions received	17	2	10	19	0	7
Fees and commissions paid	-22	0	-44	-22	-5	-42
Other income (expense)	16	-1	-30	11	8	-7
General operating expenses	-387	0	-46	-367	0	-43
TOTAL	-363	0	610	-346	-8	731

"Other entities in the Confédération Nationale" correspond to the other Crédit Mutuel regional federations that do not belong to the Caisse Fédérale de Crédit Mutuel.

Relationships with the Group's key management

In the context of regulatory changes (decree of Nov. 3, 2014) and to comply with professional recommendations, the Group's deliberative bodies and, more particularly, the Banque Fédérative board of directors have entered into commitments concerning the compensation of market professionals and of its officers and directors.

These commitments have been disclosed to the AMF and on the institution's website. Compensation received by the Group officers and directors includes a portion related to their activities at Crédit Mutuel and CIC. It may include a fixed and a variable portion. This compensation is set by the deliberative bodies of BFCM and CIC based on proposals from compensation committees of the respective boards of directors. No variable compensation has been paid in the last two years. The Group's officers and directors also benefited from the accidental death and disability plans and supplementary plans made available to all Group employees.

However, the Group's officers and directors did not receive any other specific benefits. They did not receive any equity securities, warrants or options to purchase BFCM or CIC shares. In addition, they do not receive any attendance fees in consideration of their board mandates, whether the boards are of Group companies or companies outside the Group but on whose board they sit as a result of their functions within the Group. The Group's officers and directors may also hold assets in or have borrowings from the Group's banks on the same terms and conditions offered to all other employees.

Total compensation paid to key management	*Dec. 31, 2016*	*Dec. 31, 2015*
Amounts in € thousands	Total compensation	Total compensation
Corporate officers - Management Committee - Board members who receive compensation	5,776	5,723

The amount of provisions for retirement bonuses and long-service awards stood at €2,477 million at December 31, 2016.

At its meeting of May 8, 2011, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Fradin's term of office as CEO, subject to a performance-related condition and representing one year of his compensation as a corporate officer, i.e., a commitment currently estimated at €1,200,000 (including social security contributions). Mr. Fradin is also covered by a supplementary pension plan within the framework of his corporate office, the conditions of which are the same as those that apply to the other employees of BFCM and for which the contributions paid to the insurance company covering this entire commitment amounted to €18,690 in 2016.

At its meeting of February 26, 2015, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Théry's term of office as Chairman of the Board of Directors, subject to a performance-related condition and representing one year of his compensation as a corporate officer, i.e., a commitment currently estimated at €690,000 (including social security contributions). Mr. Théry is also covered by a supplementary pension plan within the framework of his corporate office, the conditions of which are the same as those that apply to the other employees of BFCM and for which the contributions paid to the insurance company covering this entire commitment amounted to €18,690 in 2016.

NOTE 38 - Events after the reporting period and other information

The consolidated financial statements of the group of members of the Caisse Fédérale de Crédit Mutuel at the year ended December 31, 2016 were approved by the board of directors at its meeting of February 23, 2017.

NOTE 39 - Exposure to risk

The risk exposure information required by IFRS 7 is included in Section 4 of the management report.

NOTE 40 - Statutory auditors' fees

(in € thousands, excluding VAT)	ERNST & YOUNG				PWC	KPMG AUDIT	PWC	KPMG AUDIT
	Amount		%		Amount		%	
	2016	2015	2016	2015	2016	2015	2016	2015
Audit								
Statutory audit and contractual audits								
- BFCM	161	175	7%	5%	120	175	4%	3%
- Fully consolidated subsidiaries	1,977	2,570	81%	78%	2,603	4,014	82%	62%
Other assignments and services directly related to the statutory audit								
- BFCM	230	209	9%	6%	42	1,917	1%	30%
- Fully consolidated subsidiaries	41	153	2%	5%	105	96	3%	1%
Sub-total	***2,409***	***3,107***	***99%***	***94%***	***2,870***	***6,202***	***90%***	***96%***
Other services provided by the networks to fully consolidated subsidiaries								
- Legal, tax and corporate advisory services	35	22	1%	1%	71	106	2%	2%
- Other	0	170	0%	5%	244	156	8%	2%
Sub-total	***35***	***192***	***1%***	***6%***	***315***	***262***	***10%***	***4%***
Total	**2,444**	**3,299**	**100%**	**100%**	**3,185**	**6,464**	**100%**	**100%**

The general meeting of shareholders of May 27, 2016 appointed PwC as a co-statutory auditor on the Crédit Mutuel-CM11 perimeter (replacing KPMG) for a period of six years starting in 2016

€10,599 thousand for the fiscal year 2016.

V.4 - Statutory Auditors’ report on the consolidated financial statements of BFCM Group

This is a free translation into English of the statutory auditors’ report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors’ report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group’s management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
S.A.R.L. au capital de € 86.000

Statutory Auditors
Member of the Versailles
regional institute of accountants

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

Statutory Auditors
Member of the Versailles
regional institute of accountants

Banque Fédérative du Crédit Mutuel

BFCM

Year ended December 31, 2016

Statutory Auditors’ Report on the Consolidated Financial Statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you for the year ended December 31, 2016 on:

- the audit of the accompanying consolidated financial statements of Banque Fédérative du Crédit Mutuel;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.1 to the consolidated financial statements regarding the change in accounting method for the capitalisation reserve of ACM.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The Group uses internal models and methods to value positions in financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in Notes 1.3 and 12 to the consolidated financial statements. We examined the control system applied to these models and methods, the parameters used and the identification of the financial instruments to which they apply.
- The Group recognizes impairment losses on assets available for sale when there is an objective indication of a prolonged or significant reduction in the value of these assets (Notes 1.3 and 7 to the consolidated financial statements). We examined the control system applied to the identification of impairment indicators, the valuation of the most significant items, and the estimates that led, where applicable, to the recognition of impairment provisions to cover losses in value.
- The Group carried out impairment tests on goodwill and investments held, which resulted, where relevant, in the recognition of impairment provisions in respect of this financial year (Notes 1.2 and 18 to the consolidated financial statements). We examined the methods used to implement these tests, the main assumptions and parameters used and the resulting estimates that led, where applicable, to impairment losses.
- The Group records impairment losses to cover the credit and counterparty risks inherent to its business (Notes 1.3, 8a, 10, 21 and 31 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of losses in value by individual and collective impairment provisions.
- The Group records provisions for employee benefit obligations (Notes 1.3 and 21 to the consolidated financial statements). We examined the method used to assess these obligations, as well as the main assumptions and calculation methods used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, April 12, 2017.

French original signed by

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Olivier Durand

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

VI.1 - Management report on BFCM's annual financial statements

VI.1.1 - Statement of Financial Position

The statement of financial position at December 31, 2016 showed total assets of €183.9 billion, up by 2.1% compared with the previous year.

On the liabilities side, amounts due to credit institutions totaled €66.3 billion and consisted mainly of long-term borrowings from the Group's subsidiaries, current accounts (€21.5 billion) and securities sold under repurchase agreements as part of the TLTRO (€9.7 billion). Long-term borrowings from the Group's subsidiaries stood at €29.9 billion, the majority of which came from CIC and its Regional Banks (€5.8 billion) and CM-CIC Home Loan SFH (€23.3 billion).

Amounts due to customers totaled €19.2 billion. This item consists essentially of demand deposits (€3.2 billion) and term accounts and loans of financial customers (€14.4 billion).

Total securities liabilities were €75.5 billion and consisted mainly of interbank securities (€7.8 billion), negotiable debt securities (€28.8 billion), bonds and money-market EMTNs (€38.9 billion).

The fund for general banking risks amounting to €61.6 million and the amount of deeply subordinated notes totaling €1.7 billion remained virtually unchanged. Only €0.2 billion in deeply subordinated notes was redeemed during the year. Total shareholders' equity and similar items amounted to €11.1 billion (including net income of €269.3 million).

On the assets side, the Crédit Mutuel-CM11 Group's central treasury function is reflected mainly by loans and receivables from credit institutions in the amount of €104.5 billion. The refinancing provided to Caisse Fédérale de Crédit Mutuel (CF de CM) to back the loans distributed by the Crédit Mutuel local cooperative banks and ensure the liquidity of CF de CM amounted to €32.0 billion. BFCM's term refinancing activity also extends to Banque Européenne de Crédit Mutuel (€3.6 billion), the CIC Group and its leasing and factoring subsidiaries (€47.4 billion), the Cofidis Group (€9.0 billion), the entities acquired from General Electric (€4.4 billion), Banque du groupe Casino (€0.8 billion) and the other federal banks (€2.1 billion).

Loans and receivables due from customers totaled €5.0 billion. This amount corresponds to credit facilities, mainly targeting large corporates, as well as the refinancing of special purpose acquisition entities for BFCM's long-term equity investments.

Trading, available-for-sale and held-to-maturity securities constitute the other uses of treasury funds and totaled €34.1 billion.

Investments in subsidiaries and associates, which totaled €14.0 billion, consisted mainly of investments in Targobank Germany (€5.0 billion), CIC (€2.9 billion), the factoring and leasing subsidiaries acquired from General Electric in France and Germany in July 2016 (€2.1 billion), Groupe des Assurances du Crédit Mutuel (€1.0 billion) and Cofidis Group (€1.0 billion). Investments in non-consolidated companies stood at €1.8 billion. This item is made up primarily of interests in Banque Marocaine du Commerce Extérieur, Banque de Tunisie and Banco Popular Español.

Articles L 441-6-1 and D 441-4 of the French Commercial Code require companies to provide specific information on the maturity dates of the amounts due to suppliers. In the case of BFCM, the amounts are negligible.

VI.1.2 - Income Statement

Interest income totaled €4.8 billion (including €4.0 billion from transactions with credit institutions) while interest expense came to €5 billion (€3.1 billion related to interest payable to credit institutions and €1.6 billion to interest on securities issued) for a net interest margin of -€161.0 million in 2016 compared with -€139.9 million in 2015.

Income from variable-income securities (equities) of €828.1 million was mainly composed of dividends received from BFCM subsidiaries (€814 million).

The positive impact of €4.6 million on trading securities is primarily due to foreign exchange gains (€2.7 million) and net reversals of provisions for the bond portfolio hedged by swaps (€3.7 million).

Gains on available-for-sale securities (€16.5 million) consisted mainly of additions to provisions for impairment losses (-€32.8 million) and gains on disposals of these securities (€49.3 million).

Other operating expenses (-€223.0 million) consisted mainly of compensation (-€208.4 million) to Group entities and outside partners and the capital gain on the sale of Visa Europe shares to Visa Inc.

After recognition of commissions and other operating items, net banking income came to €466.9 million in 2016.

General operating expenses decreased by €3.5 million to €62.0 million.

The balance of gains and losses on non-current assets of -€135 million consisted of the €289.6 million capital gain on the Visa Europe sale and the realized and unrealized capital gains and losses on our investments in non-consolidated companies. We adjusted the valuations of our investments in Spain in Banco Popular Español and Targobank Spain.

An amount of €13,185, corresponding to non-deductible rents and depreciation on company vehicles, was reintegrated into taxable income at the standard rate under ordinary French law. BFCM reported a tax loss for the year and therefore had no corporate income tax. It only recorded an adjustment related to this tax for the prior year in the amount of -€0.2 million.

Lastly, net income for the year came to €269.3 million compared with €342.6 million in 2015.

VI.1.3 - Proposals of the Board of Directors to the Shareholders' Meeting

The appropriation of income proposed to the Shareholders' Meeting concerned the following amounts:

2016 net income:	€269,287,297.83
Retained earnings:	+ €799,185.01
Total:	€270,086,482.84

We propose to:

- pay a dividend of €3.85 to each of the 33,770,590 shares carrying dividend rights for the full year, i.e. a total payout of €130,016,771.50. These dividends are eligible for deduction under Article 158 of the French Tax Code (*Code Général des Impôts* – CGI);
- make no contribution to the legal reserve, as it has reached the regulatory minimum of 10% of share capital;
- transfer €140 million to the optional reserve; and
- transfer the balance of €69,711.34 to retained earnings.

In accordance with the legal provisions in force, we remind you that the dividends paid per share for the last three years were as follows:

Fiscal year	***2013***	***2014***	***2015***
Amount in €	€4.90	€4.15	€4.15
Dividend eligible for the deduction provided for in Article 158 of the French Tax Code (*Code Général des Impôts* – CGI)	Yes	Yes	Yes

VI.2 - BFCM financial statements

VI.2.1 - Annual financial statements

ASSETS *(in €)*	Dec. 31, 2016	Dec. 31, 2015	Notes
CASH, CENTRAL BANKS, POST OFFICE BANKS	**20,276,853,287.38**	301,202,456.15	
GOVERNMENT SECURITIES AND EQUIVALENT	**9,413,012,107.98**	18,379,042,422.24	2.8
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**104,537,642,842.01**	112,061,734,347.19	2.2, 2.3
LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**4,954,981,477.94**	6,825,887,773.30	2.3, 2.4
BONDS AND OTHER FIXED-INCOME SECURITIES	**24,169,014,857.73**	28,020,767,431.53	2.3, 2.15
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES	**474,973,450.66**	263,107,716.86	2.15
LONG-TERM EQUITY INVESTMENTS AND SECURITIES	**1,800,380,527.74**	1,968,726,402.88	2.17
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	**13,980,663,409.63**	6,976,298,018.93	2.17
FINANCE LEASES AND LEASES WITH PURCHASE OPTION	**0.00**	0.00	
OPERATING LEASES	**0.00**	0.00	
INTANGIBLE ASSETS	**8,000,141.00**	8,000,141.00	2.0, 2.21
PROPERTY AND EQUIPMENT	**6,756,605.81**	6,769,535.14	2.0
SUBSCRIBED CAPITAL UNPAID	**0.00**	0.00	
TREASURY STOCK	**0.00**	0.00	
OTHER ASSETS	**2,053,171,692.99**	3,343,062,733.16	2.24
ACCRUALS	**2,263,483,984.52**	2,047,361,700.13	2.25
TOTAL ASSETS	**183,938,934,385.39**	180,201,960,678.51	

OFF-STATEMENT OF FINANCIAL POSITION	Dec. 31, 2016	Dec. 31, 2015	Notes
COMMITMENTS GIVEN			
FINANCING COMMITMENTS	***4,065,774,808.57***	*14,311,579,208.70*	3.1
GUARANTEE COMMITMENTS	***3,640,460,331.81***	*3,785,128,728.40*	
SECURITIES COMMITMENTS	***0.00***	*0.00*	

LIABILITIES AND SHAREHOLDERS' EQUITY *(in €)*	**Dec. 31, 2016**	Dec. 31, 2015	Notes
CENTRAL BANKS, POST OFFICE BANKS	**0.00**	0.00	
DUE TO CREDIT INSTITUTIONS	**66,325,328,015.14**	64,313,770,391.91	2.2, 2.3
DUE TO CUSTOMERS	**19,185,413,603.73**	23,033,303,255.83	2.3
DEBT SECURITIES	**76,526,668,488.53**	72,327,816,707.23	2.3
OTHER LIABILITIES	**3,539,666,936.55**	2,909,187,894.49	2.24
ACCRUALS	**892,964,878.58**	970,853,172.78	2.25
PROVISIONS FOR RISKS AND CHARGES	**119,802,974.48**	101,172,827.03	2.27
SUBORDINATED DEBT	**7,975,286,351.73**	7,301,167,380.92	2.7
FUND FOR GENERAL BANKING RISK (FGBR)	**61,552,244.43**	61,552,244.43	2.20
SHAREHOLDERS' EQUITY EXCLUDING FGBR	**9,312,250,892.22**	9,183,136,803.89	2.20
SUBSCRIBED CAPITAL	1,688,529,500.00	1,688,529,500.00	2.20
ISSUE PREMIUMS	4,508,844,923.87	4,508,844,923.87	2.20
RESERVES	2,844,789,985.51	2,642,462,705.51	2.20
REVALUATION RESERVES	0.00	0.00	
REGUL. PROVISIONS AND INVESTMENT SUBSIDIES	0.00	25,261.00	2.20
UNAPPROPRIATED RETAINED EARNINGS	799,185.01	629,881.41	2.20
NET INCOME FOR THE YEAR	269,287,297.83	342,644,532.10	2.20
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**183,938,934,385.39**	180,201,960,678.51	

OFF-STATEMENT OF FINANCIAL POSITION	**Dec. 31, 2016**	Dec. 31, 2015	Notes
COMMITMENTS RECEIVED			
FINANCING COMMITMENTS	***17,404,892,086.31***	*4,327,950,853.45*	
GUARANTEE COMMITMENTS	***2,369,225.25***	*3,109,129.23*	
SECURITIES COMMITMENTS	***51,484,243.97***	*185,620,346.32*	

INCOME STATEMENT *(in €)*	Dec. 31, 2016	Dec. 31, 2015	Notes
+ INTEREST INCOME	**4,832,165,273.96**	6,373,915,818.42	4.1
- INTEREST EXPENSE	**-4,993,177,118.69**	-6,513,768,797.96	4.1
+ INCOME FROM LEASE FINANCING AND HIRE PURCHASE TRANSACTIONS	**0.00**	0.00	
- EXPENSES ON LEASE FINANCING AND HIRE PURCHASE TRANSACTIONS	**0.00**	0.00	
+ INCOME FROM OPERATING LEASE TRANSACTIONS	**0.00**	0.00	
- EXPENSES ON OPERATING LEASE TRANSACTIONS	**0.00**	0.00	
+ INCOME FROM VARIABLE-INCOME SECURITIES	**828,146,737.76**	462,702,391.52	4.2
+ FEE AND COMMISSION INCOME	**50,268,048.41**	45,473,909.32	4.3
- FEE AND COMMISSION EXPENSES	**-49,279,097.19**	-56,157,798.03	4.3
+/- GAINS (LOSSES) ON TRADING SECURITIES TRANSACTIONS	**4,617,540.85**	17,431,039.86	4.4
+/- GAINS (LOSSES) ON AVAILABLE-FOR-SALE SECURITIES TRANSACTIONS	**16,518,828.28**	185,982,460.07	4.5
+ OTHER OPERATING INCOME	**648,457.04**	532,065.91	4.6
- OTHER OPERATING EXPENSES	**-222,999,334.73**	-10,157,201.74	4.6
NET BANKING INCOME	***466,909,335.69***	*505,953,887.37*	
- GENERAL OPERATING EXPENSES	**-61,976,674.75**	-65,458,308.40	4.7
- DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF NON-CURRENT ASSETS	**-12,929.33**	-26,323.33	
GROSS OPERATING INCOME	***404,919,731.61***	*440,469,255.64*	
+/- COST OF RISK	**0.00**	0.00	4.8
OPERATING INCOME	***404,919,731.61***	*440,469,255.64*	
+/- GAINS (LOSSES) ON NON-CURRENT ASSETS	**-134,702,027.55**	-132,315,617.88	4.9
NET INCOME BEFORE TAX	***270,217,704.06***	*308,153,637.76*	
+/- NON-RECURRING INCOME (LOSS)	**-704,867.53**	-737,450.10	4.10
- CORPORATE INCOME TAX	**-250,799.70**	35,214,634.44	4.11
+/- NET ALLOCATIONS TO/RELEASES FROM FGBR AND REGULATED PROV.	**25,261.00**	13,710.00	
NET INCOME	***269,287,297.83***	*342,644,532.10*	

VI.2.2 - Notes to the annual financial statements

1. Accounting policies and methods

The financial statements of Banque Fédérative du Crédit Mutuel (BFCM) are prepared in accordance with the general accounting principles and standards 2014-03 and 2014-07 issued by the French Accounting Standards Authority (Autorité des Normes Comptables - ANC), approved by ministerial decree.

They are prepared in accordance with the prudence principle and the following fundamental principles:

- going concern,
- consistency,
- accruals.

1.1. Measurement of receivables and payables and use of estimates for the preparation of the financial statements

Receivables and payables pertaining to customers and credit institutions are recognized on the statement of financial position at fair value or cost, if it is different from fair value.

Related accruals (accrued or outstanding interest due or payable) are combined with the corresponding asset and liability items.

The preparation of the financial statements may require the use of assumptions and estimates that have a material impact on income and expenses and of assets and liabilities in the statement of financial position and notes to the financial statements. In these cases, management uses its judgment and experience, as well as information readily available at the time of preparation of the financial statements, in order to arrive at the necessary estimates.

Such is the case in particular for:

- the fair value of financial instruments not listed on an active market;
- pension plans and other future employee benefits;
- the measurement of investments in non-consolidated companies;
- provisions for risks and expenses.

1.2 Loans to customer

By default, all loans to customers that do not fall into one of the categories below are considered performing loans.

In accordance with ANC standard 2014-07, all types of receivables are downgraded to non-performing status in the following situations:

- payment arrears of more than nine months for loans to local authorities, more than six months for home loans, and more than three months for other loans;
- when the receivable is subject to a legal dispute (notification procedures, adjustment, court-order liquidation, etc.);
- when the receivable presents other risks of total or partial non-recovery.

When a loan to an individual or legal entity is classified as non-performing, all commitments to that person or legal entity are reclassified as non-performing.

Impairment charges are recorded on non-performing receivables on an individual basis for each receivable.

Interest on unsettled, non-performing receivables and recognized on the income statement is covered by impairment charges for the full amount recognized. Impairment charges and releases of impairment, losses on non-recoverable receivables and recoveries on impaired receivables related to interest on non-performing receivables are recognized under “Interest income” on the income statement.

Provisions are recognized on the principal of the receivable based on the most likely estimate of impairment, in accordance with general prudential principles. The impairment calculation takes into account the net realizable value of personal or real guarantees related to the receivable.

The established provision covers the estimated loss, discounted using the original interest rate of the credit. Estimated losses are equivalent to the difference between the initial contractual cash flows and estimated recovery cash flows. The determination of the recovery cash flows is based in particular on statistics that make it possible to estimate average recovery rates over time starting from the time when the credit was downgraded to non-performing. A provision reversal following the passage of time is recognized in net banking income.

Non-performing loans that have been declared past due or classified as non-performing for more than one year are specifically identified as “irrecoverable non-performing loans.” Each bank has defined internal rules for automatic downgrades, which presume the irrecoverable nature of the receivable once it has been classified as non-performing for more than one year, unless the existence and validity of guarantees covering all the risks can be formally demonstrated. The recognition of interest on the receivable ceases once the loan has been classified as an “irrecoverable non-performing loan.”

Article 2221-5 calls for special treatment of some restructured loans. If the amount involved is significant, the restructured loans are isolated in a special category. In these cases, the waiver of claims to the principal or interest, outstanding or accrued, as well as future interest differences, are immediately recognized through loss, then gradually reintegrated as the loan is paid down. The number of loans involved and amounts at stake are limited, and the calculation of a discount would not have a material impact on the financial statements for the year.

1.3 Securities transactions

Statement of financial position items:

- Government securities and similar instruments
- Bonds and other fixed-income securities
- Equities and other variable-income securities

include trading, available-for-sale and held-to-maturity securities, depending on their nature.

This classification results from the application of Article 1124-15 of ANC standard 2014-07, which establishes guidelines for the classification of securities depending on their use.

Trading securities

This portfolio includes securities purchased or sold with the intention of a resale or repurchase within a short time period (typically less than six months) and that are negotiable on a market whose liquidity is assured. They are initially recognized at cost plus any acquisition costs and accrued interest. At the reporting date, trading securities are measured at fair value. The net gains and losses from changes in their value are shown through profit and loss.

Available-for-sale securities

Available-for-sale securities are acquired with the intention of being held for more than six months in order to derive direct income or a capital gain. This holding period does not imply, for fixed-income securities, that they be held until maturity. Premiums or discounts recognized at the time fixed-income securities are acquired are spread over the life of the corresponding instrument, in accordance with the option offered. At the end of the reporting period, an individual provision is recognized for unrealized capital losses on available-for-sale securities, adjusted for any impairment charges and net releases of differences described above. Unrealized gains are not recognized.

Held-to-maturity securities

This portfolio includes fixed-income securities acquired with the intention of being held for the long term, typically until maturity, and for which either matching long-term financing resources or a permanent interest rate hedge exist. The difference recorded between the acquisition cost and the redemption value is spread over the life of the security. No impairment losses are recognized for unrealized capital losses.

Treasury bills, marketable debt securities and interbank market instruments classified in the available-for-sale and held-to-maturity portfolios are recognized at cost, including accrued interest at the time of purchase. Interest income is calculated at the negotiated rate, while the amount of the premium or discount is amortized using the actuarial method.

Bonds included in the available-for-sale and held-to-maturity portfolios are recognized excluding accrued interest. Interest income is calculated at the nominal rate of the securities. When the acquisition price differs from the redemption value, this difference is amortized using the straight-line method and shown through profit or loss.

Securities denominated in foreign currencies are measured using the exchange rate on the reporting date or the most recent date. Measurement differences are shown through profit and loss on financial transactions.

Other long-term securities

Other long-term securities are investments made with the intention of promoting lasting business relationships with the issuer, but without influencing the issuer's management.

Reclassification of financial assets

The reclassification from the trading securities category to the held-to-maturity or available-for-sale categories is possible in the following two cases:

- in extraordinary market situations that require a change in strategy
- when, following their acquisition, fixed-income securities are no longer traded on an active market, and if the institution intends and has the capacity to hold them for the foreseeable future or until maturity.

The impact of reclassifications made in the past is presented in Note 2.9.

Temporary sales of securities

Temporary sales of securities are designed to guarantee loans and treasury borrowings through securities. They generally take two distinct forms, depending on the legal mechanism used, namely:

- sale and repurchase agreements; and
- securities lending and borrowing.

Sale and repurchase agreements consist legally of selling full ownership of the securities, with the buyer making an irrevocable commitment to retrocede them and the seller to repurchase them, at a price and date agreed upon at the time the agreement is entered into. From an accounting standpoint, the securities given through a repurchase agreement continue to be recognized on their original line item and measured based on the rules of the portfolio in which they are classified. Meanwhile, the liability representing the amount deposited is recorded under liabilities. The receivable representing a repurchase agreement on securities received is recognized under assets.

Securities loans are consumer loans subject to the provisions of the French Civil Code, under which the borrower irrevocably commits to return the borrowed securities at the end of the loan period. These loans are generally secured through a cash payment, which is held by the lender in the event of a default by the borrower. In such cases, the transaction is likened to a sale and repurchase agreement and recorded as such for accounting purposes.

1.4 Options

Premiums paid or received are recognized on the statement of financial position upon payment or deposit. At the time of settlement, they are immediately shown through profit or loss if they involve speculative transactions.

Premiums on unsettled options are measured at the reporting date when they are traded on an organized market. The difference is shown through profit and loss.

1.5 Investments in non-consolidated companies and in subsidiaries and associates

Investments non-consolidated companies and in subsidiaries are recognized at historical cost.

Each investment is reassessed at the year end. When the carrying amount exceeds the value in use, an impairment loss is recognized for the amount of the unrealized loss. Unrealized gains are not recognized. The value in use represents the amount the company would be willing to pay to obtain the securities in question, in light of its investment objectives, and may be estimated using various criteria such as adjusted net assets, actual and prospective profitability, and recent average stock market prices.

1.6 Non-current assets

Property and equipment is depreciated over the useful life corresponding to the asset's actual period of use, taking into account, where applicable, any residual value:

- software: 1 to 10 years
- buildings – structural work: 20 to 80 years
- construction – equipment: 10 to 40 years
- fixtures and installations: 5 to 15 years
- transportation equipment: 3 to 5 years
- office equipment and furniture: 5 to 10 years
- computer equipment: 3 to 5 years

In the event that components of an asset have different useful lives, each is recognized separately and depreciated accordingly. Unscheduled depreciation may be applied in cases authorized by regulations if the allowed useful life for tax purposes is shorter than the useful life of the asset or component.

1.7 Foreign currency translation

Receivables and payables, as well as forward foreign exchange agreements recognized under off-statement of financial position commitments, are converted using the market rate at the reporting date, with the exception of items denominated in currencies participating in the single European currency, for which the official conversion rates are used.

Property and equipment are recognized at cost. Financial assets are translated using the rate at the end of the reporting period (see comments in the previous notes).

Income and expenses denominated in foreign currencies are recognized on the income statement using the exchange rate on the last day of the month in which they were received or paid; accrued expenses and income not yet paid on the reporting date are translated using the exchange rate on the closing date.

Unrealized and definitive gains and losses through currency translation are recognized at the end of each reporting period.

1.8 Swaps

Pursuant to Article 2522-1 of ANC standard 2014-07, each bank may need to create three separate swap portfolios depending on whether the swaps are designed to (a) maintain open and separate positions, (b) hedge interest-rate risk for a separate element or a set of similar elements, or (d) enable the specialized management of a trading portfolio. The relevant bank has no category (c) swap portfolios, i.e. for the purpose of hedging overall interest rate risk.

In these conditions, transfers from one portfolio to the other are possible only as follows:

- Portfolio (a) to portfolio (b)
- Portfolio (b) to portfolio (a) or (d)
- Portfolio (d) to portfolio (b).

The fair value used to measure swaps for trading is based on the application of the discounted cash flow (DCF) method with a zero coupon yield curve. The fixed-rate branch is measured using the various maturities discounted on the basis of the yield curve, while the present value of the variable rate branch is measured on the basis of the current coupon applied to the notional value of the principal. The fair value is derived from the comparison of these two discounted values, after taking into account counterparty risk and future management fees. The counterparty risk is calculated in accordance with Article 5.1 of ANC regulation 2014-07, to which an 8% equity ratio is applied. The management fees are then determined by adding a 10% ratio to this equity amount.

Any compensatory payments received or paid at the end of the swap are shown through profit and loss on a pro rata temporis basis over the life of the swap. In the event of an early cancelation of the swap, the compensatory payment received or paid is immediately recognized in income, unless the swap was initiated as a hedging transaction. In that case, the compensatory payment is shown through profit or loss based on the life of the initially hedged item.

In order to measure and monitor risk exposure from these transactions, overall sensitivity limits, including interest rate and currency swaps, are set by activity. These positions are regularly disclosed to the relevant bank's executive body, as defined by Article L 511-13 of the French Monetary and Financial Code.

1.9 Commitments for retirement, departure and retirement bonuses

The recognition and measurement of retirement and similar commitments are consistent with Recommendation 2003-R01 of the French National Accounting Council. The discount rate used is based on long-term government securities.

Employee retirement plans

Retirement plans are administered by various institutions to which the relevant bank and its employees make periodic contributions.

These contributions are recognized as expenses during the year in which they are due.

In addition, employees of Caisse Fédérale du Crédit Mutuel Centre Est Europe receive a supplementary retirement benefit plan financed by the employer through two insurance contracts. The first contract, authorized under Article 83 of the French General Tax Code (CGI), is for a defined contribution points-based capitalization plan. The second, authorized under Article 39 of the French General Tax Code (CGI), is a supplementary defined benefit plan on the B and C tranches. The commitments related to these plans are fully covered by established reserves. As a result, the employer has no residual commitment.

Departure and retirement bonuses

Future departure and retirement bonuses are fully covered by insurance policies subscribed with the "Assurances du Crédit Mutuel" insurance company. The annual premiums take into account vested rights as of December 31 of each year, weighted by employee turnover and life expectancy ratios.

The commitments are calculated using the projected unit credit method in accordance with IFRS. The factors taken into account include the INSEE TF 00-02 actuarial tables, employee turnover, future salary increases, social security rates and the discount rate.

Commitments related to vested rights acquired by employees as of December 31 are fully covered by reserves established with the insurance company. Departure and retirement bonuses that have reached maturity and are paid out to the employees during the year are reimbursed by the insurance company.

Departure commitments are determined on the basis of a standard award to employees who retire on their own initiative at age 62.

1.10 Fund for general banking risks

Defined by clause 9 of Article 1121-3 of ANC standard 2014-07, this fund is the amount that the relevant bank decides to allocate to general banking risks, which include its global interest rate and counterparty risk exposure.

The amounts allocated to this fund total €61.6 million, with no changes to this item recorded during the year.

1.11 Provisions

Provisions allocated to asset items are deducted from the corresponding assets, which are therefore recognized at their net amount. Provisions related to off-statement of financial position commitments are recorded under risk provisions.

BFCM may be involved in a number of legal disputes; their ultimate outcome and financial consequences are regularly reviewed and, where necessary, allocations are made to provisions deemed necessary.

1.12 Corporate income tax

With effect from January 1, 2016, Caisse Fédérale de Crédit Mutuel (CF de CM) has elected the "tax consolidation for mutual banks" option in accordance with paragraph 5 of Article 223 A of the French Tax Code.

The tax consolidation mechanism allows the corporate income tax to be paid on total income calculated as the algebraic sum of the positive and negative income of the Group's various entities. CF de CM's tax consolidation group consists of:

- CF de CM, the lead company of the tax consolidation group,
- 1,383 Crédit Mutuel local cooperative banks and 10 Crédit Mutuel regional cooperative banks that are part of the federations that belong to CM11, whose membership in this tax consolidation group is mandatory,
- Banque Fédérative du Crédit Mutuel and 20 of its subsidiaries that elected to participate.

By convention, each member of the tax consolidation group is required to pay to CF de CM, as its contribution to the Group's corporate income tax payment and regardless of the actual amount of said tax, an amount equal to the income tax it would have had to pay if it were taxed separately, and therefore less all rights to deduction the members would have had in the absence of consolidation.

In accordance with the provisions of ANC regulation 2014-07 and, more specifically, Article 1124-57, the "Corporate income tax" line includes:

- the amount of corporate income tax and of the additional contribution calculated as though the company were taxed separately,
- the additional contribution of 3% of distributed income,
- any adjustments relating to prior periods and to back taxes,
- the tax benefit or expense relating to tax credits on interest-free and similar loans.

The corporate income tax due for the year and additional contributions are determined in accordance with applicable tax regulations. Tax credits attached to income from securities are not recognized separately, but are deducted directly from the tax expense.

1.13 Competitiveness and Employment Tax Credit (Crédit d'Impôt pour la Compétitivité et l'Emploi – CICE)

The competitiveness and employment tax credit was recorded in accordance with the information note issued by the French Accounting Standards Authority (Autorité des Normes Comptables - ANC) on February 28, 2013.

The amount of the tax credit is not taxable and is credited to a sub-account in payroll costs.

1.14 Consolidation

The company is fully integrated within the consolidation scope of the CM11 Group.

1.15 Operations in non-cooperative countries and territories in the fight against tax fraud and evasion

The bank has no directly or indirectly owned operations in countries or territories subject to Article L 511-45 of the French Monetary and Financial Code and included in the list drawn up in the decree of February 12, 2010.

2. NOTES TO THE STATEMENT OF FINANCIAL POSITION

The figures included in the following tables are expressed in thousands of euros.

2.0 Changes in non-current assets

	Gross amount as of Dec 31, 2015	Additions	Disposals	Transfers or repayments	Gross amount as of Dec 31, 2016
FINANCIAL ASSETS	29,370,743	9,038,612	60,462	(5,789,078)	**32,559,815**
PROPERTY AND EQUIPMENT	8,243				**8,243**
INTANGIBLE ASSETS	8,000				**8,000**
TOTAL	**29,386,986**	**9,038,612**	**60,462**	**(5,789,078)**	**32,576,058**

2.1 Depreciation, amortization and impairment of non-current assets

DEPRECIATION AND AMORTIZATION

	Accum. deprec. & amortiz. as of Dec. 31, 2015	Expenses	Reversals	Accum. deprec. & amortiz. as of Dec. 31, 2016
FINANCIAL ASSETS	0			
PROPERTY AND EQUIPMENT	1,472	14		**1,486**
INTANGIBLE ASSETS	0			
TOTAL	**1,472**	**14**	**0**	**1,486**

IMPAIRMENT

	Impairment provisions as of Dec. 31, 2015	Losses	Reversals	Impairment provisions as of Dec. 31, 2016
FINANCIAL ASSETS	334,782	574,365		**909,147**
PROPERTY AND EQUIPMENT	0			**0**
INTANGIBLE ASSETS	0			**0**
TOTAL	**334,782**	**574,365**	**0**	**909,147**

2.2 Allocation of receivables and amounts due from credit institutions

A)) Receivables due from credit institutions

	Amount as of Dec. 31, 2016		**Amount as of Dec. 31, 2015**	
	Demand	Term	Demand	Term
Current accounts	2,368,458		676,935	
Loans, assets received under repurchase agreements	47,434	99,805,784	10,517,416	99,898,568
Securities received under repurchase agreements		64,000		82,000
Unallocated assets				
Accrued interests	2	244,814	10	339,805
Non-performing loans				
(Impairment provisions)				
Total	**2,415,894**	**100,114,598**	**11,194,361**	**100,320,373**
Total receivables due from credit institutions		**104,537,643**		**112,061,734**
of which non-voting loan stock		0		**0**
of which subordinated notes		2,007,151		547,000

B) Debts owed to credit institutions

	Amount as of Dec. 31, 2016		**Amount as of Dec. 31, 2015**	
	Demand	Term	Demand	Term
Current accounts	18,444,451		16,131,883	
Borrowings	776,860	34,220,319	190,114	36,892,615
Resale agreements		9,654,000		9,804,000
Securities gived under repurchase agreements		600,000		415,000
Unallocated assets				
Accrued interest	460	323,402	80	377,334
Other sums due	2,305,836		502,744	
Total	**21,527,607**	**44,797,721**	**16,824,821**	**47,488,949**
Total Debts owed to credit institutions		**66,325,328**		**64,313,770**

2.3 Analysis of receivables and liabilities by residual maturity

ASSETS	Three months or less	Between three months and one year	Between one and five years	More than five years and perpetual	Accrued interest and interest due	TOTAL
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS						
Demand	2,415,892				2	**2,415,894**
Term	17,879,705	13,383,751	47,303,692	23,309,787	244,814	**102,121,749**
LOANS AND RECEIVABLES DUE FROM CUSTOMERS						
Commercial loans	183,897					**183,897**
Other customer loans	578,250	468,612	2,079,511	1,540,260	33,926	**4,700,559**
Overdrawn current accounts	70,205				320	**70,525**
BONDS AND OTHER FIXED-INCOME SECURITIES	1,306,019	2,607,775	19,315,095	833,983	106,143	**24,169,015**
of which trading securities	*10,800*					***10,800***
TOTAL	**22,433,968**	**16,460,138**	**68,698,298**	**25,684,030**	**385,205**	**133,661,639**

The maturity of non-performing loans is considered to be over 5 years

LIABILITIES	Three months or less	Between three months and one year	Between one and five years	More than five years and perpetual	Accrued interest and interest due	TOTAL
DUE TO CREDIT INSTITUTIONS						
Demand	21,527,147				460	**21,527,607**
Term	6,306,560	4,497,236	23,923,753	9,746,770	323,402	**44,797,721**
DUE TO CUSTOMERS						
Regulated savings accounts						
Demand						**0**
Term						**0**
Other liabilities						
Demand	3,495,424					**3,495,424**
Term	1,285,000	2,900,168	11,001,000	500,000	3,822	**15,689,990**
DEBT SECURITIES						
Interbank instruments and trading instruments	16,030,228	13,717,425	4,059,493	2,741,678	196,731	**36,745,555**
Bonds	3,400,862	4,520,501	16,951,751	7,491,619	837,565	**33,202,298**
Other securities	0	750,000	2,955,843	2,835,000	37,972	**6,578,815**
SUBORDINATED DEBT	0	0	2,000,000	5,900,000	75,286	**7,975,286**
TOTAL	**52,045,221**	**26,385,330**	**60,891,840**	**29,215,067**	**1,475,238**	**170,012,696**

2.4 Allocation of loans and receivables due from customers

	2016			2015		
Excluding accrued interest of €34,246 thousand from gross receivables	Gross amount	of which non-performing losses	Impairment provisions	Gross amount	of which non-performing losses	Impairment provisions
By major types of counterparties						
. Companies	4,920,532			6,784,803		
. Sole traders						
. Individuals	10			8		
. Governments	193			1		
. Non-profit institutions						
Total	**4,920,735**	**0**	**0**	**6,784,812**	**0**	**0**
By business sector						
. Farming and mining						
. Retail and wholesale	230,646			194,724		
. Industries				41,855		
. Business services and holding companies	268,247			272,938		
. Services to individuals						
. Financial services	3,971,576			5,850,275		
. Real estate services	177,898			156,786		
. Transportation and communication	261,192			261,545		
. Unallocated and other	11,176			6,689		
Total	**4,920,735**	**0**	**0**	**6,784,812**	**0**	**0**
By geographic region						
. France	1,997,969			2,133,594		
. Europe, excluding France	2,922,766			4,651,200		
. Rest of the world				18		
Total	**4,920,735**	**0**	**0**	**6,784,812**	**0**	**0**

None of the non-performing loans is considered irrecoverable.

2.5 Amount of commitments in respect of fully consolidated subsidiaries and other long-term equity investments

ASSETS

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS		
Demand	1,729,261	1,325,433
Term	65,735,874	61,317,025
LOANS AND RECEIVABLES DUE FROM CUSTOMERS		
Commercial loans		
Other customer loans	3,324,811	5,026,577
Overdrawn current accounts		
BONDS AND OTHER FIXED-INCOME SECURITIES	15,970,697	19,571,848
SUBORDINATED RECEIVABLES	2,788,552	1,507,781
TOTAL	**89,549,195**	**88,748,664**

LIABILITIES

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
DUE TO CREDIT INSTITUTIONS		
Demand	9,809,509	8,064,530
Term	29,508,328	31,687,642
DUE TO CUSTOMERS		
Regulated savings accounts		
Demand		
Term		
Other liabilities		
Demand	146,955	153,521
Term	12,851,000	15,001,349
DEBT SECURITIES		
Retail certificates of deposit		
Interbank instruments and trading instruments	892,532	577,276
Bonds	4,487,996	4,837,368
Other debt securities		
SUBORDINATED DEBT	833,048	843,791
TOTAL	**58,529,368**	**61,165,477**

This table includes the commitments given to and received from fully consolidated subsidiaries and other long-term equity investments, which are included in the consolidation scope of the BFCM Group.

2.6 Allocation of subordinated assets

	Amount as of Dec. 31, 2016		Amount as of Dec. 31, 2015	
	Subordinated amount	of which non-voting loan stock	Subordinated amount	of which non-voting loan stock
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS				
Term	1,716,151		256,000	
Perpetual	291,000		291,000	
LOANS AND RECEIVABLES DUE FROM CUSTOMERS				
Other customer loans	859,950	700,000	945,000	945,000
BONDS AND OTHER FIXED-INCOME SECURITIES	127,293	127,293	172,936	120,268
TOTAL	**2,994,394**	**827,293**	**1,664,936**	**1,065,268**

2.7 Subordinated debt

	Subordinated Note 1	Subordinated Note 2	Subordinated Note 3	Subordinated Note 4	Subordinated Note 5
Amount	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Maturity	12/6/2018	10/22/2020	05/21/2024	09/11/2025	03/24/2026

	Subordinated Note 6	Subordinated loan	Subordinated Deeply subordinated note
Amount	700,000	500,000	1,700,000
Maturity	11/4/2026	perpetual	perpetual

Terms	Subordinated loans and notes have a lower priority than all other debts as regards repayment, with the exception of non-voting loan stock. The deeply subordinated notes have the lowest priority because they are expressly subordinated to all other debts of the company, whether unsecured or subordinated.
Early repayment option	Not permitted during the first five years unless accompanied by an increase in capital. Not permitted for subordinated notes, except in case of redemption in the market or a takeover bid (cash or share exchange). Restricted with regard to deeply subordinated notes because they are similar to Tier 1 capital.

Subordinated debt amounted to €7,975,286 thousand (including accrued interest).

2.8 Securities investments: breakdown between trading, available-for-sale and held-to-maturity

	Trading	Available for sale	Held to maturity	TOTAL
GOVERNMENT SECURITIES AND EQUIVALENT		9,412,508	504	**9,413,012**
BONDS AND OTHER FIXED-INCOME SECURITIES	10,800	8,274,620	15,883,595	**24,169,015**
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES		474,973		**474,973**
TOTAL	**10,800**	**18,162,101**	**15,884,099**	**34,057,000**

Transaction securities are negotiable commercial paper in an active market within the meaning of Article ANC 2321-1

2.9 Securities investments: reclassifications

	Held-to-maturity securities reclassified in 2008	Amount due as of Dec. 31, 2016	Amount outstanding as of Dec. 31, 2016	Unrealized loss (impairment) if there was no reclassification	Amount of recovery if there was no reclassification
AVAILABLE-FOR-SALE SECURITIES	1,318,640	1,282,140	36,500	6	
TOTAL	**1,318,640**	**1,282,140**	**36,500**	**6**	**0**

In accordance with CRB (*Comité de la Réglementation Bancaire*, the French Banking Regulations Committee) Regulation 90-01 on accounting for security transactions, as introduced by CRC (*Comité de la Réglementation Comptable*, the French Accounting Regulations Committee) Regulation 2008-17 of December 10, 2008 with regard to reclassifications of securities from “trading securities” and from “available-for-sale securities” categories, BFCM did not make any such reclassification at December 31, 2015.

2.10 Securities investments: differences between the acquisition price and the selling price of available-for-sale securities and held-to-maturity securities

SECURITY TYPE	**UNAMORTIZED NET DISCOUNTS/PREMIUMS 2016**		**2015**	
	Discount	**Premium**	**Discount**	**Premium**
AVAILABLE-FOR-SALE SECURITIES				
Bond market	2,736	102,474	33,883	100,893
Money market		2,338	35	9,211
HELD-TO-MATURITY SECURITIES				
Bond market	1		1,210	
Money market		2		7

2.11 Securities investments: unrealized gains and losses

	2016	**2015**
Amount of unrealized gains on available-for-sale securities:	1,087,879	1,094,644
Amount of unrealized losses on impaired available-for-sale securities:	56,161	23,143
Amount of unrealized losses on held-to-maturity securities:	119	1,306
Amount of unrealized gains on held-to-maturity securities:	26,726	55,745

2.12 Securities investments: amount of receivables related to loaned securities

	Amount as of Dec. 31, 2016	**Amount as of Dec. 31, 2015**
GOVERNMENT SECURITIES AND EQUIVALENT	0	0
BONDS AND OTHER FIXED-INCOME SECURITIES	0	0
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES	0	0

2.13 Securities investments: amount of assets and liabilities related to securities given under repurchase agreements

	2016		**2015**	
	Assets	Liabilities	Assets	Liabilities
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS				
Demand				
Term	64,000		82,000	
LOANS AND RECEIVABLES DUE FROM CUSTOMERS				
Other customer loans				
DUE TO CREDIT INSTITUTIONS				
Demand				
Term		600,000		415,000
DUE TO CUSTOMERS				
Other liabilities				
Demand				
Term				
TOTAL	**64,000**	**600,000**	**82,000**	**415,000**

Assets sold under repurchase agreements correspond to O.A.T to €64,000 thousand.

2.14 Securities investments: allocation of bonds and other fixed-income securities by issuer

	Issuer		Accrued interest	TOTAL
	Government agencies	Other		
GOVERNMENT SECURITIES, BONDS AND OTHER FIXED-INCOME SECURITIES	12,081,561	21,338,025	162,441	**33,582,027**

2.15 Securities investments: breakdown between listed and unlisted

	Amount of listed securities	Amount of unlisted securities	Accrued interest	TOTAL
GOVERNMENT SECURITIES AND EQUIVALENT	6,556,415	2,800,297	56,300	**9,413,012**
BONDS AND OTHER FIXED-INCOME SECURITIES	22,397,745	1,665,127	106,143	**24,169,015**
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES	445,030	29,944		**474,974**
TOTAUX	**29,399,190**	**4,495,368**	**162,443**	**34,057,001**

2.16 Securities investments: information on UCITS

	2016			2015		
	French UCITS	Foreign UCITS	TOTAL	French UCITS	Foreign UCITS	TOTAL
VARIABLE INCOME SECURITIES - UCITS	2,061	3,547	**5,608**	3,572	10,800	**14,372**

	2016			2015		
	Accumulation UCITS	Distribution UCITS	TOTAL	Accumulation UCITS	Distribution UCITS	TOTAL
VARIABLE INCOME SECURITIES - UCITS		5,608	**5,608**	14,372	0	**14,372**

2.17 Securities investments: investments in subsidiaries, associates, and other long-term equity investments in credit institutions

	Amount invested in credit institutions **as of Dec. 31, 2016**	Amount invested in credit institutions **as of Dec. 31, 2015**
AVAILABLE-FOR-SALE AND OTHER LONG-TERM EQUITY INVESTMENTS	1,597,388	1,816,264
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	10,127,354	3,702,664
TOTAL	**11,724,742**	**5,518,928**

2.18 Securities investments: information on available-for-sale securities

No available-for-sale securities were held as of December 31, 2016.

2.19 Associates that are unlimited liability corporations

Business name	Registered office	Legal form
REMA	STRASBOURG	Société en Nom Collectif
CM-CIC FONCIERE	STRASBOURG	Société en Nom Collectif
STE CIVILE GESTION DES PARTS DANS L'ALSACE	STRASBOURG	Société Civile de Participations

2.20 Reserves

	Amount as of Dec. 31, 2015	Appropriation of earnings	Capital increase and other changes	Amount as of Dec. 31, 2016
SUBSCRIBED CAPITAL	1,688,530			1,688,530
ISSUE PREMIUMS	4,508,845			4,508,845
LEGAL RESERVE	151,526	17,327		168,853
REGULATORY AND CONTRACTUAL RESERVES	2,481,442	185,000		2,666,442
REGULATED RESERVES	25			0
OTHER RESERVES	9,495			9,495
UNAPPROPRIATED RETAINED EARNINGS	629	170		799
NET INCOME FOR THE YEAR	342,645	(342,645)	269,287	269,287
DISTRIBUTION OF DIVIDENDS		140,148	(140,148)	
TOTAL	**9,183,137**	**0**	**129,139**	**9,312,251**
FUND FOR GENERAL BANKING RISK (FGBR)	61,552			61,552

2.21 Set-up costs, research and development costs and business goodwill

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
SET-UP COSTS		
Organization costs		
Start-up costs		
Capital increase and other costs		
RESEARCH AND DEVELOPMENT COSTS		
BUSINESS GOODWILL		
OTHER INTANGIBLE ASSETS	8,000	8,000
TOTAL	**8,000**	**8,000**

2.22 Receivables eligible for refinancing with a central bank

Eligible receivables consist only of receivables due from customers. At December 31, 2016, these receivables due from customers eligible for refinancing with a central bank stood at €71,561 thousand out of total receivables of 4,920,735 thousand.

2.23 Accrued interest receivable or payable

	Accrued interest receivable	Accrued interest payable
ASSETS		
CASH, CENTRAL BANKS, POST OFFICE BANKS		
GOVERNMENT SECURITIES AND EQUIVALENT	56,300	
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS		
Demand	2	
Term	244,814	
LOANS AND RECEIVABLES DUE FROM CUSTOMERS		
Commercial loans	33,926	
Other customer loans	320	
Overdrawn current accounts		
BONDS AND OTHER FIXED-INCOME SECURITIES	106,143	
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES		
AVAILABLE-FOR-SALE AND OTHER LONG-TERM EQUITY INVESTMENTS		
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES		
LIABILITIES		
CENTRAL BANKS, POST OFFICE BANKS		
DUE TO CREDIT INSTITUTIONS		
Demand		460
Term		323,402
DUE TO CUSTOMERS		
Regulated savings accounts		
Demand		
Term		
Other liabilities		
Demand		
Term		3,822
DEBT SECURITIES		
Retail certificates of deposit		
Interbank instruments and trading instruments		196,731
Bonds		837,565
Other debt securities		37,972
SUBORDINATED DEBT		75,286
TOTAL	**441,505**	**1,475,238**

2.24 Other assets and other liabilities

OTHER ASSETS	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
CONDITIONAL INSTRUMENTS PURCHASED		
SETTLEMENT ACCOUNTS ON SECURITIES TRANSACTIONS	8,882	26,181
SUNDRY DEBTORS	2,044,290	3,316,882
CARRY BACK RECEIVABLES		
OTHER STOCK AND EQUIVALENT		
OTHER USES OF FUNDS		
TOTAL	**2,053,172**	**3,343,063**

OTHER LIABILITIES	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
OTHER DEBTS ON SECURITIES		
CONDITIONAL INSTRUMENTS SOLD		
DEBTS ON TRADING SECURITIES		
of which debts on securities borrowed		
SETTLEMENT ACCOUNTS ON SECURITIES TRANSACTIONS	177,194	205,826
PAYMENTS OUTSTANDING ON SECURITIES NOT FULLY PAID UP	80	
SUNDRY CREDITORS	3,362,393	2,703,362
TOTAL	**3,539,667**	**2,909,188**

2.25 Accruals

ASSETS

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
HEADQUARTERS AND BRANCH - NETWORK		
COLLECTIONS	925	57
OTHER ADJUSTMENTS	1,864,614	624,732
SUSPENSE ACCOUNTS		
POTENTIAL LOSSES ON HEDGING CONTRACTS -		
FORWARD FINANCIAL INSTRUMENTS NOT YET SETTLED		
DEFERRED LOSSES ON HEDGING CONTRACTS -		
FORWARD FINANCIAL INSTRUMENTS SETTLED	51,604	71,912
DEFERRED EXPENSES	211,489	204,799
PREPAID EXPENSES	14,043	9,612
ACCRUED INCOME	22,408	1,048,303
OTHER ACCRUALS	98,401	87,947
TOTAL	**2,263,484**	**2,047,362**

LIABILITIES

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
HEADQUARTERS AND BRANCH - NETWORK		
ACCOUNTS UNAVAILABLE DUE TO COLLECTION PROCEDURES	1,269	
OTHER ADJUSTMENTS	5,331	
SUSPENSE ACCOUNTS		
POTENTIAL GAINS ON HEDGING CONTRACTS -		
FORWARD FINANCIAL INSTRUMENTS NOT YET SETTLED		288
DEFERRED GAINS ON HEDGING CONTRACTS -		
FORWARD FINANCIAL INSTRUMENTS SETTLED	291,124	272,501
DEFERRED INCOME	46,670	57,279
ACCRUED EXPENSES	460,542	549,054
OTHER ACCRUALS	88,029	91,731
TOTAL	**892,965**	**970,853**

Articles L 441-6-1 and D 441-4 of the French Commercial Code require companies to provide specific information on the maturity of amounts due to suppliers. In the case of our company, the amounts are negligible.

2.26 Unamortized balance of the difference between the purchase price and the redemption

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
ISSUANCE PREMIUM ON FIXED-INCOME SECURITIES	167,463	158,400
REDEMPTION PREMIUMS ON FIXED-INCOME SECURITIES	10,130	14,630

2.27 Provisions

	Amount as of Dec. 31, 2016	Additions	Reversals	Amount as of Dec. 31, 2015	Reversal lag
PROVISION FOR ASSOCIATE-RELATED RISKS	84,200	14,400		70,200	> 3y
PROVISION FOR RETIREMENT BENEFITS	1,875			1,875	< 1y
PROVISION FOR SWAPS	8,836		3,659	12,495	< 1y
PROVISION FOR TAXES	16,600	16,600		0	> 3y
PROVISION FOR GUARANTEE COMMITMENTS	7,592		8,266	15,858	< 3y
OTHER PROVISIONS	700	700	745	745	< 1y
	119,803	**31,700**	**12,670**	**101,173**	

2.28 Equivalent in euros of assets and liabilities denominated in non-euro zone currencies

ASSETS

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
CASH, CENTRAL BANKS, POST OFFICE BANKS		
GOVERNMENT SECURITIES AND EQUIVALENT		
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	14,982,446	13,529,893
LOANS AND RECEIVABLES DUE FROM CUSTOMERS	62,308	53,806
BONDS AND OTHER FIXED-INCOME SECURITIES		
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES	9,232	17,129
REAL ESTATE DEVELOPMENT		
SUBORDINATED LOANS		
AVAILABLE-FOR-SALE AND OTHER LONG-TERM EQUITY INVESTMENTS	1,420,194	1,373,437
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES		
INTANGIBLE ASSETS		
PROPERTY AND EQUIPMENT		
OTHER ASSETS	18,381	19,743
ACCRUALS	230,907	147,157
TOTAL FOREIGN-CURRENCY DENOMINATED ASSETS	**16,723,468**	**15,141,165**
Percentage of total assets	**9.09%**	**8.40%**

LIABILITIES

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
CENTRAL BANKS, POST OFFICE BANKS		
DUE TO CREDIT INSTITUTIONS	4,289,939	3,371,752
DUE TO CUSTOMERS	405,906	165,959
DEBT SECURITIES	22,839,186	18,989,995
OTHER LIABILITIES	333,814	206,092
ACCRUALS	135,572	149,590
PROVISIONS		
SUBORDINATED DEBT		
TOTAL FOREIGN-CURRENCY DENOMINATED LIABILITIES	**28,004,417**	**22,883,388**
Percentage of total assets	**15.22%**	**12.70%**

3. NOTES TO THE OFF-STATEMENT OF FINANCIAL POSITION ITEMS

3.1 Assets pledged as collateral for commitments

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
ASSETS PLEDGED FOR TRANSACTIONS ON FORWARD MARKETS	0	0
OTHER ASSETS PLEDGED	27,254,412	13,943,825
of which to Banque de France	*27,058,892*	*13,943,825*
TOTAL	**27,254,412**	**13,943,825**

CM-CIC Home Loan SFH is a 99.99%-owned subsidiary of BFCM. Its purpose is to issue, exclusively on behalf of its parent company, securities backed by mortgages and equivalent assets distributed through the Crédit Mutuel and CIC networks. Contractual provisions require BFCM to provide assets as collateral for the securities issued by CM-CIC Home Loan SFH, should certain events occur (such as a decline in ratings below a certain level or in the amount of mortgage loans) As of December 31, 2015, this procedure had not been called upon.

3.2 Assets received as collateral

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
ASSETS RECEIVED IN PLEDGE FOR TRANSACTIONS ON FORWARD MARKETS	0	0
OTHER ASSETS RECEIVED	0	0
of which to Société de financement de l'économie française	*0*	*0*
TOTAL	**0**	**0**

The bank obtains refinancing from Caisse de Refinancement de l'Habitat through the issuance of promissory notes secured by receivables, in accordance with Article L 313-42 of the French Monetary and Financial Code. As of December 31, 2016, assigned receivables totaled €7,750,983 thousand. The home loans securing these promissory notes are provided by the Crédit Mutuel Group, of which BFCM is a subsidiary. These loans amounted to €7,980,699 thousand at the same date.

3.3 Forward transactions in foreign currencies not settled as of December 31

	Amount as of Dec. 31, 2016		Amount as of Dec. 31, 2015	
FORWARD FOREIGN EXCHANGE TRANSACTIONS	Assets	Liabilities	Assets	Liabilities
Euros receivable/foreign currencies payable	7,627,681	7,845,024	9,721,363	9,868,108
of which currency swaps	*5,624,820*	*5,764,576*	*5,294,470*	*5,401,523*
Foreign currencies receivable/euros payable	20,787,857	19,422,503	19,132,768	18,226,922
of which currency swaps	*8,158,422*	*7,341,306*	*7,419,763*	*6,654,898*
Foreign currencies receivable/foreign currencies payable	12,514,677	12,748,629	9,675,871	9,769,260
of which currency swaps				

3.4 Other forward transactions not settled as of December 31

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
TRANSACTIONS INVOLVING INTEREST-RATE INSTRUMENTS, CARRIED OUT ON REGULATED AND SIMILAR MARKETS		
Firm hedging transactions		
of which sales of futures contracts		
of which purchases of futures contracts		
Conditional hedging transactions		
Other firm transactions		
of which sales of futures contracts		
OTC TRANSACTIONS INVOLVING INTEREST-RATE INSTRUMENTS		
Firm hedging transactions	166,104,680	162,737,558
of which interest rate swaps	*160,612,636*	*159,387,550*
interest rate swaps denominated in foreign currencies	*5,492,044*	*3,350,008*
purchases of forward rate agreements		
sales of forward rate agreements		
Conditional hedging transactions		
of which purchases of swap options		
sales of swap options		
of which purchases of caps and floors		
sales of caps and floors		
Other firm transactions	766,980	7,918,968
of which interest rate swaps	*766,980*	*7,918,968*
interest rate swaps denominated in foreign currencies		
Other conditional transactions		
OTC TRANSACTIONS INVOLVING FOREIGN EXCHANGE INSTRUMENTS		
Conditional hedging transactions		
of which purchases of foreign exchange options		
sales of foreign exchange options		
OTC TRANSACTIONS INVOLVING INSTRUMENTS OTHER THAN INTEREST-RATE AND FOREIGN EXCHANGE INSTRUMENTS		
Firm hedging transactions		
of which purchases of non-deliverable forwards		
sales of non-deliverable forwards		
Conditional hedging transactions		
of which purchases of options		
sales of options		

3.5 Analysis of forward transactions not yet settled by residual maturity

	Amount as of Dec. 31, 2016			Amount as of Dec. 31, 2015		
	0 - 1 year	1 - 5 years	> 5 years	0 - 1 year	1 - 5 years	> 5 years
FOREIGN CURRENCY TRANSACTIONS	31,723,938	5,581,763	2,710,455	27,609,783	8,262,946	1,991,561
TRANSACTIONS INVOLVING INTEREST RATE INSTRUMENTS, CARRIED OUT ON						
Firm transactions						
of which sales of futures contracts						
of which purchases of futures contracts						
Other firm transactions						
of which sales of futures contracts						
OTC TRANSACTIONS INVOLVING INTEREST-RATE INSTRUMENTS						
Firm transactions	46,156,204	89,157,019	31,558,437	43,826,826	96,223,567	30,606,133
of which swaps	*46,156,204*	*89,157,019*	*31,558,437*	*43,826,826*	*96,223,567*	*30,606,133*
purchases of forward rate agreements						
sales of forward rate agreements						
Conditional hedging transactions						
of which purchases of swap options						
sales of swap options						
of which purchases of caps and floors						
sales of caps and floors						
Other conditional transactions						
OTC TRANSACTIONS INVOLVING FOREIGN EXCHANGE INSTRUMENTS						
Conditional hedging transactions						
of which purchases of foreign exchange options						
sales of foreign exchange options						
OTC TRANSACTIONS INVOLVING OTHER FORWARD INSTRUMENTS						
Firm transactions						
of which purchases of non-deliverable forwards						
sales of non-deliverable forwards						
Conditional transactions						
of which purchases of options						
sales of options						

3.6 Commitments in respect of fully consolidated subsidiaries and other long-term equity investments

Commitments given

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
Financing commitments	590,000	8,660,000
Guarantee commitments	3,518,652	3,535,530
Foreign exchange commitments	2,206,498	4,151,011
Commitments on forward financial instruments	49,009,755	49,101,147
TOTAL	**55,324,905**	**65,447,688**

Commitments received

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
Financing commitments		
Guarantee commitments		
Foreign exchange commitments	2,214,503	4,064,328
Commitments on forward financial instruments		
TOTAL	**2,214,503**	**4,064,328**

This table includes the commitments given to and received from fully consolidated subsidiaries and other long-term equity investments, which are included in the consolidation scope of the BFCM Group.

3.7 Fair value of derivative instruments

	Amount as of Dec. 31, 2016		Amount as of Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk - hedge accounting (macro-micro)				
Conditional or optional instruments				
Firm instruments other than swaps				
Embedded derivatives	11,407	172,368	60,892	238,549
Swaps	3,732,494	1,766,220	4,034,589	2,170,629
Interest rate risks - excluding hedge accounting				
Conditional or optional instruments				
Firm instruments other than swaps				
Embedded derivatives	32,067		28,209	
Swaps	911,641	946,024	1,425,431	1,462,304
Foreign exchange risk				
Conditional or optional instruments				
Firm instruments other than swaps				
Swaps	34,472	13,627	36,660	10,335

This note has been prepared in application of CRC Regulations 2004-14 to 2004-19, which require the disclosure of the fair value of financial instruments. The fair value of derivatives is determined on the basis of market value or, in the absence of a market value, using market models.

4. NOTES TO THE INCOME STATEMENT

4.1 Interest income and expense

	Income 2016	Income 2015
CREDIT INSTITUTIONS	3,997,504	5,473,017
CUSTOMERS	128,833	147,586
BONDS AND OTHER FIXED-INCOME SECURITIES	596,805	650,187
SUBORDINATED LOANS	93,992	85,400
OTHER SIMILAR INCOME	15,031	17,726
NET REVERSAL OF (ADDITION TO) PROVISIONS RELATING TO INTEREST ON NON-PERFORMING LOANS		
NET REVERSAL OF (ADDITION TO) PROVISIONS ON OTHER SIMILAR INCOME		
TOTAL	**4,832,165**	**6,373,916**

	Expenses 2016	Expenses 2015
CREDIT INSTITUTIONS	3,080,527	4,482,798
CUSTOMERS	152,476	209,784
BONDS AND OTHER FIXED-INCOME SECURITIES	1,320,472	1,363,468
SUBORDINATED DEBT	292,465	328,581
OTHER SIMILAR EXPENSES	147,237	129,138
NET ADDITION TO (REVERSAL OF) PROVISIONS RELATING TO INTEREST ON NON-PERFORMING LOANS		
NET ADDITION TO (REVERSAL OF) PROVISIONS FOR OTHER SIMILAR EXPENSES		
TOTAL	**4,993,177**	**6,513,769**

4.2 Analysis of income from variable-income securities

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
AVAILABLE-FOR-SALE EQUITIES AND OTHER VARIABLE-INCOME SECURITIES	13,716	12,983
SUBSIDIARIES, ASSOCIATES AND OTHER LONG-TERM EQUITY INVESTMENTS	814,431	449,719
MEDIUM-TERM AVAILABLE-FOR-SALE SECURITIES		
TOTAL	**828,147**	**462,702**

In 2016, BFCM recorded an exceptional dividend of 300,000 thousand euros income paid by a foreign subsidiary (CM Akquisition - Germany) prior to its merger with BFCM. The terms of the merger agreement were published in the BALO on 23-12-2016.

4.3 Fees and commissions

	Income 2016	Income 2015
CREDIT INSTITUTIONS	150	147
CUSTOMERS	1,903	1,475
SECURITIES TRANSACTIONS	29	48
FOREIGN EXCHANGE TRANSACTIONS	10	21
FINANCIAL SERVICES PROVIDED	47,850	43,688
OFF-STATEMENT OF FINANCIAL POSITION TRANSACTIONS		
OTHER	326	95
REVERSALS FROM PROVISIONS RELATING TO FEES AND COMMISSIONS		
TOTAL	**50,268**	**45,474**

	Expenses 2016	Expenses 2015
CREDIT INSTITUTIONS	2,226	11,678
CUSTOMERS	5	4
SECURITIES TRANSACTIONS	6,060	7,014
FOREIGN EXCHANGE TRANSACTIONS	801	804
FINANCIAL SERVICES PROVIDED	39,903	36,625
OFF-STATEMENT OF FINANCIAL POSITION TRANSACTIONS		
OTHER	284	33
ADDITIONS TO PROVISIONS RELATING TO FEES AND COMMISSIONS		
TOTAL	**49,279**	**56,158**

4.4 Gains (losses) on trading securities

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
TRADING SECURITIES	(1,538)	(451)
FOREIGN EXCHANGE	2,696	21,324
FORWARD FINANCIAL INSTRUMENTS	(199)	(245)
NET IMPAIRMENT REVERSALS (LOSSES)	3,659	(3,197)
TOTAL	**4,618**	**17,431**

4.5 Gains (losses) on available-for-sale and similar securities

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
ACQUISITION EXPENSES ON AVAILABLE-FOR-SALE SECURITIES	0	(107)
NET GAIN (LOSS) ON DISPOSALS	49,352	136,743
NET IMPAIRMENT REVERSALS (LOSSES)	(32,833)	49,346
TOTAL	**16,519**	**185,982**

4.6 Other operating income and expenses

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
MISCELLANEOUS OPERATING INCOME	648	532
MISCELLANEOUS OPERATING EXPENSES	(222,999)	(10,157)
TOTAL	**(222,351)**	**(9,625)**

In 2016, the BFCM paid a total amount of € 208,445,000 under the "Transaction Agreement" Visa as of 2 November 2015 to members of "sub-participants". In June 2016, the sale of Visa Europe to Visa Inc., BFCM as a "principal member" had recorded a capital gain.

4.7 General operating expenses

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
SALARIES AND WAGES	6,111	5,326
RETIREMENT BENEFITS EXPENSE	741	682
OTHER PAYROLL-RELATED EXPENSES	1,932	1,574
PROFIT-SHARING AND INCENTIVE PLANS	472	412
PAYROLL AND SIMILAR TAXES	1,281	1,169
OTHER TAXES AND DUTIES	17,979	17,236
EXTERNAL SERVICES	44,417	44,951
NET ADDITIONS TO/REVERSALS FROM PROVISIONS RELATING TO GENERAL OPERAT	0	675
REINVOICED EXPENSES	(10,956)	(6,567)
TOTAL	**61,977**	**65,458**

CICE: The competitiveness and employment tax credit, recognized as a credit to payroll costs, amounted to €49,307.44 for fiscal year 2016.
The CICE enabled, in particular, the maintenance of or even an increase in financing for employee training at a level well above the regulatory requirements, and enhancement of the Group's overall competitiveness, particularly through:
- investment in new technologies such as digital applications (tablets) and videoconferencing systems;
- IT developments concerning a virtual assistant, based on cognitive technologies, designed to further improve the quality of customer service;
- development of new telephone-based means of payment and related services;
- research into new services for merchant customers;
- the roll-out of electronic signatures for distance contracts.

The total amount of direct and indirect remuneration paid to key executives of BFCM was €5,775,527.65 compared with €5,723,383.33 in 2015. No attendance fees were paid.
Related party transactions:
At its meeting of May 8, 2011, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Fradin's term of office as CEO, subject to a performance-related condition and representing one year of his compensation as a corporate officer, i.e., a commitment currently estimated at €1,200,000 (including social security contributions). A provision was recognized for the outstanding amount as of December 31, 2016.
Mr. Fradin is also covered by a supplementary pension plan within the framework of his corporate office, the conditions of which are the same as those that apply to the other employees of BFCM and for which the contributions paid to the insurance company covering this entire commitment amounted to €18,690 in 2016.
At its meeting of February 26, 2015, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Théry's term of office as Chairman of the Group, subject to a performance-related condition and representing one year of his compensation as a corporate officer, i.e., a commitment currently estimated at €690,000 (including social security contributions). A provision was recognized for the outstanding amount as of December 31, 2016.
Mr. Théry is also covered by a supplementary pension plan within the framework of his corporate office, the conditions of which are the same as those that apply to the other employees of BFCM and for which the contributions paid to the insurance company covering this entire commitment amounted to €18,690 in 2016.
Pursuant to Decree 2008-1487 of November 30, 2008 relating to statutory auditors, the fees paid for the statutory audit amounted to €595,062.53. Fees for consulting and services other than certification of the financial statements totaled €855,792.60.

4.8 Cost of risk

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
ADDITIONS TO PROVISIONS FOR RECEIVABLES		
REVERSALS OF PROVISIONS FOR RECEIVABLES	8,266	0
LOSS ON IRRECOVERABLE RECEIVABLES COVERED BY PROVISIONS	(8,266)	0
TOTAL	**0**	**0**

4.9 Gains (losses) on non-current assets

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
GAINS (LOSSES) ON PROPERTY AND EQUIPMENT	0	4
GAINS (LOSSES) ON FINANCIAL ASSETS	470,263	16,595
IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS	(574,365)	(105,915)
REVERSALS FROM (ADDITIONS TO) PROVISIONS FOR RISKS AND CHARGES	(30,600)	(43,000)
TOTAL	**(134,702)**	**(132,316)**

4.10 Exceptional result

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
RESULTS OF COMPANIES OF PERSONS	(750)	(858)
PROVISIONS / DEPRECIATION OF PROVISIONS ON COMPANIES OF PERSONS	45	121
TOTAL	**705**	**737**

4.11 Breakdown of corporate income tax

	Amount as of Dec. 31, 2016	Amount as of Dec. 31, 2015
(A) TAX ON ORDINARY INCOME		22,217
(B) TAX ON EXTRAORDINARY ITEMS	(251)	(2,192)
(C) EFFECTS OF TAX CONSOLIDATION		(55,240)
(A + B + C) INCOME TAX FOR THE YEAR	(251)	(35,215)
ADDITIONS TO PROVISIONS RELATING TO INCOME TAX		0
REVERSALS FROM PROVISIONS RELATING TO INCOME TAX	0	0
TOTAL CORPORATE INCOME TAX FOR THE YEAR	**(251)**	**(35,215)**

4.12 Other information: Employees

	2016	2015
Average worforce (full time equivalent)		
BANK TECHNICIANS	6	3
MANAGERIAL STAFF	26	21
TOTAL	**32**	**24**

FIVE-YEAR FINANCIAL SUMMARY

(amounts in €)

	2012	2013	2014	2015	2016
1. Capital at the reporting date					
a) Capital stock	1,326,630,650.00	1,329,256,700.00	1,573,379,650.00	1,688,529,500.00	1,688,529,500.00
b) Number of common shares outstanding	26,532,613	26,585,134	31,467,593	33,770,590 (a)	33,770,590 (a)
c) Par value of shares	50 €	50 €	50 €	50 €	50 €
d) Number of preferred shares (no voting rights) outstanding					
2. Results of operations					
a) Net banking income, income from securities investments and other income	613,947,145.96	383,360,600.79	358,072,278.38	505,953,887.37	466,909,335.69
b) Income before tax, profit-sharing, depreciation, amortization and provisions	404,393,723.58	220,719,959.14	379,019,568.48	410,762,894.39	903,621,214.10
c) Corporate income tax	-14,371,909.94 (NB)	-34,921,389.62	-44,913,762.15	-35,214,634.44	250,799.70
d) Profit sharing	62,577.07	91,347.06	80,817.13	65,752.38	97,960.46
e) Income after tax, profit-sharing, depreciation, amortization and provisions	649,396,490.02	311,481,573.22	371,064,805.48	342,644,532.10	269,287,297.83
f) Earnings distributed	70,263,445.09	130,116,946.54	130,590,510.95	140,147,948.50	130,016,771.50
3. Earnings per share					
a) Earnings after tax and profit-sharing, but before depreciation, amortization and provisions	15.78	9.61	13.47	13.20	26.75
b) Earnings after tax, profit-sharing, depreciation, amortization and provisions	24.48	11.72	11.79	10.15	7.97
c) Dividend per share	2.65	4.90	4.15	4.15	3.85
	1.33	2.04			
4. Employees					
a) Average number of employees for the year	27	27	27	24	32
b) Payroll expense	5,328,750.54	5,641,794.04	5,711,747.91	5,325,581.38	6,111,275.25
c) Employee benefits (social security, benefit plans)	2,281,964.98	2,381,796.54	2,403,577.71	2,256,273.16	2,672,813.48

(a): 33,770,590 shares carrying dividend rights for the full year following the capital increase on July 7, 2015.

Note: "Pursuant to CRC (Comité de la Réglementation Comptable, the French Accounting Regulations Committee) Regulation 2000-03, applied as from 2001, the amount of corporate income tax mentioned above includes tax due for the year and movements on related provisions."

A. DETAILED INFORMATION ABOUT SUBSIDIARIES, ASSOCIATES AND OTHER LONG-TERM EQUITY INVESTMENTS WHOSE GROSS CARRYING AMOUNT EXCEEDS 1% OF BFCM's CAPITAL (€16,885,295) Amounts are expressed in thousands of euros.	Capital as of Dec. 31, 2015	Shareholders' equity other than capital and unappropriated earnings as of Dec. 31, 2015	Percentage of capital held as of Dec. 31, 2016	Carrying amount of investment held as of Dec. 31, 2016		Outstanding loans and advances granted by the Bank as of Dec. 31, 2016	Guarantees and securities provided by the Bank as of Dec. 31, 2016	Revenues as of Dec. 31, 2015	Net income (loss) as of Dec. 31, 2015	Net dividends received by the Bank as of Dec. 31, 2016	Notes
				Gross	Net						
1) Subsidiaries (more than 50%-owned)											
VENTADOUR INVESTISSEMENT 1, SA, Paris	600,000	82,869	100.00	600,294	600,294	384,000	0	0 (3)	46,159	60,000	
CM AKQUISITIONS GmbH, Düsseldorf	200,225	336,406	100.00	200,225	200,225	2,695,310	0	11,757	151,449	300,000	
CREDIT MUTUEL-CIC Home Loan SFH (ex CM-CIC COVERED BONDS), SA, Paris	220,000	3,889	100.00	220,000	220,000	4,319,720	0	3,469 (4)	614	660	
GROUPE REPUBLICAIN LORRAIN COMUNICATION, SAS, Woippy	1,512	11,239	100.00	94,514	0	11,805	0	2,273	36	0	
CIC IBERBANCO, SA à Directoire et Conseil de Surveillance, Paris	25,143	51,441	100.00	84,998	84,998	166,167	0	29,585 (4)	5,041	1,561	
SIM (formely EBRA), SAS, Houdemont	40,038	-190,698	100.00	40,037	0	231,875	0	2,157	-2,630	0	
CM-CIC IMMOBILIER (formely ATARAXIA), SAS, Orvault	31,760	47,956	100.00	80,986	80,986	5,401	0	3,973	4,715	1,414	
FIVORY (formely BCMI ILE-DE-France), SA, Paris	15,200	3,881	89.00	16,946	16,946	0	0	15 (4)	-315	0	
BANQUE EUROPEENNE DU CREDIT MUTUEL, BECM, SAS, Strasbourg	108,802	645,774	98.31	423,793	423,793	4,078,445	2,750,000	235,474 (4)	88,065	25,349	
SAP ALSACE (formely SFEJIC) , SAS, Mulhouse	10,210	-61,220	95.68	15,953	0	5,597	0	45,056	-5,745	0	
SOCIETE DU JOURNAL L'EST REPUBLICAIN, SA, Houdemont	2,400	-13,852	92.11	83,910	20,110	5,729	0	84,808	-12,795	0	
CREDIT INDUSTRIEL ET COMMERCIAL, SA, Paris	608,440	11,414,000	72.73	2,945,749	2,945,749	47,110,203	656,465	4,782,000 (4)	1,111,000	235,092	consolidated
COFIDIS PARTICIPATION, SA, Villeuneuve d'Asq	116,062	1,098,961	54.63	1,027,701	1,027,701	9,781,406	0	1,163,872 (4)	147,341	19,106	consolidated
GROUPE DES ASSURANCES DU CREDIT MUTUEL, SA, Strasbourg	1,118,793	4,877,766	52.81	974,661	974,661	0	0	10,532,321	718,672	133,402	consolidated
SPI (SOCIETE PRESSE INVESTISSEMENT), SA, Houdemont	77,239	943	50.96	75,200	60,800	0	0	0 (3)	-42	0	
FACTOFRANCE SAS, Paris	507,452	701,339	100.00	1472920	1472920	3232037	200000	134,321	11,663	0	
TARGOBANK Deutschland GmbH, Düsseldorf	515,526	1,439,353	100.00	5000000	5000000	147678	0	11,975	0	0	
TARGO LEASING GmbH, Düsseldorf	6,025	nc (5)	100.00	22942	22942	1162667	0	nc (5)	nc (5)	0	
HELLER GmbH, Mainz	12,000	414,506	100	597839	597839	159950	0	31,987 (4)	17,571	0	consolidated
2) Associates (10% to 50%-owned)											
TARGOBANK Espagne (formely BANCO POPULAR HIPOTECARIO), Madrid	176,045	139,445	51.02	320,548	84,698	160,098	13,320	91,423 (4)	15,493	0	
BANQUE DU GROUPE CASINO, SA, Saint Etienne	23,470	69,683	50.00	91,071	50,471	759,173	390,000	96,290 (4)	1,375	0	consolidated
CM-CIC LEASE, SA, Paris	64,399	29,339	45.94	47,779	47,779	3,580,753	18,715	24,517 (4)	5,494	277	
BANQUE MAROCAINE DU COMMERCE EXTERIEUR, Casablanca	1,794,634 (1)	17,660,188 (1)	26.21	1,132,993	1,132,993	0	0	11,816,805 (1)	2,654,730 (1)	18,697	consolidated
CAISSE DE REFINANCEMENT DE L'HABITAT, SA, Paris	539,995	22,178	21.03	117,952	117,952	0	365,434	3,364 (4)	339	0	
BANQUE DE TUNISIE, Tunis	150,000 (2)	470,110 (2)	34.00	203,974	203,974	0	0	213,648 (2)	84,241 (2)	6,270	consolidated
3) Other (less than 10%-owned)											
BANCO POPULAR ESPAGNOL, Madrid	1,082,538	11,326,655	3.95	625,733	248,733	0	0	3,430,911 (4)	105,934	3,505	consolidated

(1) Amounts in thousands of Moroccan dirham (MAD)
(2) Amounts in thousands of Tunisian dinar (TND)
(3) Revenues are "not applicable" for the company
(4) NBI for credit institutions
(5) Unknown, entity issued from a fusion

B. GENERAL INFORMATION ABOUT SUBSIDIARIES, ASSOCIATES AND OTHER LONG-TERM EQUITY INVESTMENTS	Capital as of Dec. 31, 2015	Shareholders' equity other than capital and unappropriated earnings as of Dec. 31, 2015	Percentage of capital held as of Dec. 31, 2016	Carrying amount of investment held as of Dec. 31, 2016		Outstanding loans and advances granted by the Bank as of Dec. 31, 2016	Guarantees and securities provided by the Bank as of Dec. 31, 2016	Revenues as of Dec. 31, 2015	Net income (loss) as of Dec. 31, 2015	Net dividends received by the Bank as of Dec. 31, 2016
				Gross	Net					
1) Subsidiaries not included in section A										
a) French subsidiaries (collectively)				54,329	37,970	68,727	0			2,586
of which SNC Rema, Strasbourg				*305*	*305*	*0*	*0*			*0*
b) Foreign subsidiaries (collectively)				0	0					
2) Associates not included in section A										
a) French associates (collectively)				20,991	10,899	2,669	0			720
of which SAP ALSACE, Strasbourg				*6,604*	*0*					
b) Foreign associates (collectively)				3,430	3,430	1,901	0			4,880
3) Other investments not included in section A										
a) Other investments in French companies (collectively)				25,015	24,474	0	0			590
a) Other investments in foreign companies (collectively)				1,180	1,180	0	0			0

VI.4 - Statutory auditors' report on the financial statements

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
S.A.R.L. au capital de € 86.000 (limited liability company)

Statutory Auditors
Member of the Versailles
regional institute of accountants

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

Statutory Auditors
Member of the Versailles
regional institute of accountants

Banque Fédérative du Crédit Mutuel
BFCM

Year ended December 31, 2016

Statutory Auditors' report on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you for the year ended December 31, 2016 on:

- the audit of the accompanying financial statements of Banque Fédérative du Crédit Mutuel;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France: those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and on the financial position of the Company as at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

The Company uses internal models and methods to value positions in financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in Note 1 to the financial statements. We examined the control system applied to the models used and to the process of determining whether or not a market is inactive and to the criteria used.

The Company makes other estimates in the usual context of preparing its financial statements, in particular as regards the valuation of investments in non-consolidated companies and other long-term equity investments, and the assessment of retirement benefit obligations recognized and provisions for legal risks. We examined the assumptions made and verified that these accounting estimates are based on documented methods in accordance with the principles described in Note 1 to the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole, and thus contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by your Company from companies that control it or are controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, April 12, 2017.

French original signed by

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Olivier Durand

VII. SOCIAL and ENVIRONMENTAL RESPONSIBILITY

Grenelle II law – Article 225

VII.1 – Foreword

VII.1.1 - Presentation of the scope of consolidation

CF de CM follows the recommendations of the Confédération Nationale du Crédit Mutuel (CNCM) with regard to social and environmental responsibility.

Pursuant to Article R. 225-105 of the French Commercial Code, the management report must describe the actions taken and policies adopted by the company to take into account the social and environmental impacts of its activity (Grenelle II Law, Article L. 225).

Grenelle II Law specifies the type of entities subject to these reporting requirements:

- Companies whose securities are traded on regulated markets (listed companies)
- Non-listed limited companies and partnerships limited by shares whose total assets or turnover exceed €100 million and whose average workforce during the financial year exceeds 500 permanent employees.

The mutual banking division and the BFCM Group are complementary and interconnected entities of the Group. Not only is the mutual banking division the controlling shareholder of BFCM Group, the Crédit Mutuel Caisses (Local Cooperative Banks) of the 11 federations are also a vital network for marketing the products and services of BFCM’s specialized subsidiaries; these subsidiaries then pay commission to the Local Cooperative Banks in return for the deal flow.

Given the Group’s organization, the information required in the report is provided below in the name of CF de CM on behalf of the Group scope. For the Group scope, CF de CM holds the collective license (banking code) for all the affiliated local cooperative banks and is the head of the group comprising BFCM and its subsidiaries as defined in Articles L. 233-3 and L. 233-16 of the French Commercial Code.

The Group includes companies that are individually under an obligation to publish a specific report:

- Cofidis SA
- for the CIC Group, a listed company, a specific report is published in its annual report.
- for the Technology division:
  - Euro-Information Services
  - Euro-Information Développements
  - Euro-Information Production
- for the Press division:
  - Le Dauphiné Libéré
  - Groupe Progrès
  - L'Est Républicain
  - Les Dernières Nouvelles d'Alsace
  - Est Bourgogne Médias
  - L'Alsace
  - Le Républicain Lorrain

In keeping with the Group's organization, the information relating to the companies in the Technology and Press divisions is provided separately from the Group's other quantified data. The various specific issues and the related actions taken by each of these companies are described in specific sections included in this report.

The full list of the Group's companies in the Press and Technology divisions is appended to this report.

Entities subject to the reporting requirements under Article 225:

As an entity that issues securities on a regulated market, BFCM is subject to the publication and verification requirements of Article 225 of the Grenelle II Law for 2015. However, given that BFCM is a legal entity that does not have actual employees, the social and societal policies are implemented at the CF de CM level and applied across-the-board at the subsidiaries. BFCM's environmental, social and societal information is therefore provided on a consolidated basis in the registration document of CF de CM.

The Federations, CF de CM and the subsidiaries

The local cooperative banks belong to a federation. Depending on where the local cooperative banks are located, the federation is either an association governed by the law of July 1, 1901 or, for those located in the French departments of Haut-Rhin, Bas-Rhin and Moselle, an association subject to the locally applicable Civil Code.

As a strategic planning and control body, the federation represents Crédit Mutuel in its region.

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

CF de CM is responsible for the Group’s solvency and liquidity as well as the Group’s compliance with banking and financial regulations.

On behalf of the local Caisses, CF de CM therefore performs financial functions such as liquidity management and also provides technical, legal and IT services either directly or through insurance, IT and leasing subsidiaries.

Pursuant to the French Monetary and Financial Code, each Crédit Mutuel regional group is organized around a federation, a regional cooperative bank and all the local cooperative banks that are affiliated with this federation and use the same banking code as CF de CM. CF de CM holds the collective license granted by the French Authority for Prudential Supervision and Resolution (ACPR) and guarantees the solvency and liquidity of the affiliated Caisses.

Since January 1, 2012, the mutual banking division includes 11 Crédit Mutuel federations that have established partnerships authorized by the French supervisory authority, Autorité de Contrôle Prudentiel et de Résolution (ACPR), and which resulted in the creation of CF de CM, the local cooperative bank common to the 11 Crédit Mutuel groups formed by:

- Crédit Mutuel Centre Est Europe – CMCEE – (Strasbourg),
- Crédit Mutuel Ile-de-France – CMIDF – (Paris),
- Crédit Mutuel Midi Atlantique – CMMA – (Toulouse),
- Crédit Mutuel Savoie-Mont Blanc – CMSMB – (Annecy),
- Crédit Mutuel Sud-Est – CMSE – (Lyon),
- Crédit Mutuel Loire Atlantique Centre Ouest – CMLACO – (Nantes),
- Crédit Mutuel Normandie – CMN – (Caen),
- Crédit Mutuel Méditerranéen – CMM – (Marseille),
- Crédit Mutuel Dauphiné Vivarais – CMDV – (Valence),
- Crédit Mutuel du Centre – CMC – (Orléans), and
- Crédit Mutuel Anjou – CMA – (Angers).

Each local cooperative bank is a member of the Federation in its geographic region and each Federation retains its autonomy and prerogatives in its territory.

The term “national Group” refers to the entire Crédit Mutuel Group.

The term "Crédit Mutuel-CM11 Group" refers to the entities indicated above (the 11 regional Groups included in the mutual banking division) and the shareholder-owned BFCM Group.

The Crédit Mutuel-CM11 Group’s scope in 2016 corresponds to the consolidated scope of the Crédit Mutuel-CM11 Group presented in this Registration Document for the year 2016.

Corporate governance of CM11 Group

The Group does not have a single deliberative body. Each Crédit Mutuel Caisse appoints a Board of Directors made up of volunteer members elected by stock-owning members at a general meeting. From among these members, the local cooperative banks then elect their representative at the federation level. The Federal (or District, an intermediate level for the CMCEE federation) Chairman can become a member of the Board of Directors of CF de CM and its subsidiary, BFCM.

VII.1.2 - Crédit Mutuel-CM11 Group's CSR strategy and positioning

Corporate social responsibility is not a new idea for the Crédit Mutuel-CM11 Group entities. Democracy and close customer relationships, local social and economic development, and mutual aid and solidarity lie at the root of the Group's operating model. Its non-centralized form of governance strengthens decision-making to best serve the interests of customer-members. This cooperative and mutualist model is based on a determination to invest in the long term to develop the social and economic ecosystem of each region with support from highly qualified and motivated employees and from directors who have made a deep and enduring commitment.

Crédit Mutuel-CM11 Group, drawing on its cooperative and mutualist values, has gone above and beyond its legal and regulatory requirements with its decision to move away from the term CSR and institute an approach it is calling "Social and Cooperative Responsibility" (SCR). This is more consistent with its genetic identity.

Crédit Mutuel Group worked throughout 2016 to structure its SCR approach with a dedicated organization focused on five goals it has translated into 15 commitments:

1. Member and customer goal
2. Governance goal
3. Societal goal
4. Social goal
5. Environmental goal

These 15 commitments have been set out in a detailed roadmap that identifies 64 actions. For each of the five goals, the SCR approach has been translated into concrete actions that all Crédit Mutuel-CM11 Group entities will adopt and implement in the coming years. SCR forms part of a strategy for long-term action designed to supplement the development strategy of the Group's entities and help improve their performance.

Crédit Mutuel-CM11 Group has positioned its SCR approach as instrumental on three fronts: its effectiveness in assisting all its member-customers through sustainable product and service innovation; in productivity by improving its digital environments; and in data protection security. This approach will help strengthen the Group's image as a committed and socially responsible company.

GOAL	COMMITMENT
MEMBERS AND CUSTOMERS	**1 -** Listening to our customers and members
	2 - Promoting banking inclusion
	3 - Controlling Risks in the Conduct of Business
OF GOVERNANCE	**4 -** Support the effective functioning of governance bodies
	5 - Boosting co-operative governance
CORPORATE	**6 -** Formalize a responsible purchasing policy
	7 - Maintain responsible relationships with our service providers
	8 - Contributing to the development of the territory
	9 - Enhance our local initiatives
SOCIAL	**10 -** Promote diversity and equal opportunities
	11 Strengthen career support, synergies in the development of internal mobility and skills development
	12 - Making quality of life at work and internal communication a strategic lever for employee engagement
	13 - Strengthening the dynamics of social dialogue
ENVIRONMENTAL	**14 -** Reducing our environmental impact
	15 - Promoting quality products and responsible services

VII.1.3 – Crédit Mutuel-CM11 Group's sector-specific CSR policies

By structuring its SCR strategy around five goals translated into 15 commitments, Crédit Mutuel-CM11 Group has elected to develop operating principles applicable to all Group entities. The Group has therefore submitted two new "procurement" and "consumer credit" policies for approval to the boards of directors of Caisse Fédérale de Crédit Mutuel, BFCM and CIC.

Group entities will follow the same procedure for adopting these two new policies, which will be published to demonstrate the Group's determination to act responsibly and meet its social commitments.

"Procurement" policy

- Purchasing goods and/or services is an act of management and is part of the operational implementation of the Group's strategy. This policy incorporates economic and quality criteria, conditions relating to compliance with technical requirements, and ESG (environmental, social and governance) factors.
- The Group encourages relationships with suppliers and/or service providers that include specific clauses in their contracts to address compliance with the reference texts on human and labor rights as well as strict adherence to principles relating to corruption in all its forms.

"Consumer credit" policy

- This policy governs the Group's consumer credit activities in accordance with the values and rules of professional ethics and practice. The framework for operating the consumer credit business, and more specifically those aspects relating to pre-contractual and contractual information and the training of credit transaction intermediaries, has been strengthened significantly.
- The Group has developed a strict framework to ensure that the transactions it finances comply with local and European regulations on the processing of personal data and on anti-money laundering and counter-terrorist financing (AML-CTF).

Focus on sector-specific policies:

Crédit Mutuel has already published five sector-specific policies in prior fiscal years:

- Sector-specific policy for transactions with defense companies. This policy acknowledges the existence of conventions, treaties, agreements and regulations specific to the arms industry.

  The Group refuses to participate in transactions relating to controversial weapons and complies with the sweeping principles applicable to unconventional weapons and to the countries affected by their financing.

- Policy governing transactions and advice provided to companies in the civilian nuclear power sector. The Group ensures that all requests are in line with applicable laws and with the standards/recommendations issued by independent bodies in the nuclear power sector.

  An internal decision-making process has been established and follows a reference framework that takes into account the host country, the type of financing for the projects in question and international financing rules.

- Policy applicable to all financial transactions for companies in the mining sector regardless of the mineral resource or the extraction process used. This policy covers the entire industry, from exploration to transportation of the ore.

  The Group complies not only with applicable regulations but also with the highest international standards for controlling the social and environmental impacts of the sector's activities.

- Policy governing transactions proposed to companies that generate power from coal-fired plants or are active in the sector because they develop, build, operate and/or decommission coal-fired plants.

  The group has developed a strict framework for verifying that the transactions it finances comply with the laws on greenhouse gas emissions (including CO2 capture and storage).

- Policy applicable to all Group entities involved in private banking activities. This policy imposes rules of good conduct and professional practice (no operations in sensitive countries, strict compliance with KYC, tax compliance, etc.).

  It includes a supplement to the policy on “new customer relationships” to clarify relationships with non-resident customers who seek absolute compliance with local laws and regulations as well as with AML-CTF requirements (sensitive country controls, off-shore structure, etc.).

VII.2 Methodological note

For details regarding the composition of the sub-groups, please refer to the reports published by the reporting entities.
The Technology division comprises the following entities: Euro-Information Services, Euro-Information, Euro-Information Production, Euro-Information Développements, Euro-Information Telecom, Euro-Protection Surveillance and TARGO IT Consulting. To simplify collection and consolidation, TARGO IT will be consolidated directly into the Group for 2016 data.
The Press division comprises the following entities: SAP Alsace; Mediaportage; Distripub; Presse Diffusion; Jean Bozzi Communication; Groupe Progrès; Publiprint Province N°1; SCI Le Progrès Confluence; Documents AP; Immocity; Le Dauphiné Libéré; Groupe Dauphiné Média; La Tribune; La Liberté de l'Est; Groupe Est Républicain; Sim; Affiches d'Alsace Lorraine; Alsace Media Participations; Alsacienne de Portage des DNA; Les Dernières Nouvelles d'Alsace; Les Dernières Nouvelles de Colmar; GRLC; GRLI; Le Républicain Lorrain; Républicain Lorrain TV News; Républicain Lorrain Communication; Société d'Edition de l'Hebdomadaire du Louhannais et du Jura; Est Bourgogne Médias.

Area	Indicator	Methodological note
SOC01	Total headcount	The data is provided for the entire scope excluding CIC's foreign subsidiaries (i.e. 97.4% of the CM11 Group's total workforce).
SOC13	Recruitment: Total number of new hires	The data is missing for CIC's foreign subsidiaries.
SOC19	Number of employees under permanent contracts who left the organization	The data is missing for CIC's foreign subsidiaries.
SOC38	Number of days of absence	The data is missing for: - Targobank Germany - ACM subsidiaries outside France - Cofidis subsidiaries outside France and Spain - CIC's foreign subsidiaries
SOC47	% of payroll costs dedicated to training	The data is missing for: - Cofidis subsidiaries outside France and Spain - CIC's foreign subsidiaries
SOC50	Training: Total hours of training	The data is missing for the following subsidiaries: - Cofidis outside France and Spain - ACM abroad - CIC's foreign subsidiaries
SOC60	% of managerial staff who are women	The data is missing for the following subsidiaries: - Cofidis outside France and Spain - ACM abroad

		- CIC's foreign subsidiaries
SOC107	Gross payroll costs- permanent contracts (€)	The data is provided for the entire scope excluding CIC's foreign subsidiaries.
SOC108	Gross payroll costs- permanent contracts non-managerial (€)	The data is provided for the entire scope excluding CIC's foreign subsidiaries.
SOC109	Gross payroll costs- permanent contracts managerial (€)	The data is provided for the entire scope excluding CIC's foreign subsidiaries.
ENV05	Total energy consumption	The data is provided for the entire scope excluding CIC's foreign subsidiaries.
ENV09	Paper consumption	The data is provided for the entire scope excluding CIC's foreign subsidiaries.
GOUV03	Number of local cooperative banks	This indicator concerns the 11 federations
GOUV05	Number of elected directors at federations	This indicator concerns the 11 federations
GOUV34	% of women among new directors of local cooperative banks	This indicator concerns the 11 federations
GOUV56	Hours of training provided to directors (federation level; CM11)	This indicator concerns the 11 federations
SOT16	Number of applications processed - ADIE	Indicator published in the CNCM report
SOT17	Amount of lines of credit made available - ADIE	Indicator published in the CNCM report
SOT19A	Number of new microloans financed - France Active	Indicator published in the CNCM report
SOT20A	Amounts guaranteed - France Active	Indicator published in the CNCM report
SOT19B	Number of Nacre loans disbursed with an additional loan from the Group	Indicator published in the CNCM report
SOT20B	Loan amounts - France Active Nacre	Indicator published in the CNCM report
SOT22	Number of additional bank loans issued - Initiative France	Indicator published in the CNCM report
SOT23	Amount of additional bank loans issued - Initiative France	Indicator published in the CNCM report
SOT28	SRI assets under management	Data from CM-CIC Asset Management on behalf of the 11 federations and CIC's regional banks in France.
SOT37	Assets under management (euros) in socially responsible employee savings plans	Data from CM-CIC Asset Management on behalf of the 11 federations and CIC's regional banks in France.
SOT40	Number of non-profit organizations that are customers (associations, labor organizations, works councils, etc.)	This indicator refers to the Crédit Mutuel federations and CIC regional banks.
SOT52	Total budget dedicated to patronage and sponsorship ([1])	The data is provided for the entire scope excluding CIC's foreign subsidiaries.

(1) This indicator may include budgets allocated in 2015 but not yet fully disbursed during the year.

The Group sees corporate social responsibility as a means of strengthening its identity and highlighting its cooperative status. The Group has taken action to produce CSR indicators in order to better identify the behaviors and contributions to society of its entities and report on them.

The involvement of the various contributors within the Group has been gradually facilitated by the introduction of reporting tools.

The measurement and reporting methodology developed in 2006 has been extended gradually to all Group banking and insurance entities. It is regularly updated and amended by a CSR working group set up at national level, which brings together all the regional federations and the Group's main subsidiaries.

This working group meets at least six times each year, enabling Group entities to exchange information about internal initiatives and good practices for implementing corporate social responsibility at the company level. Exchanges with stakeholders and other cooperative banks have also enabled them to share knowledge about governance indicators and define a common set of indicators.

This methodology is the result of a collective effort and defines the rules for collecting, calculating and consolidating indicators, including the scope of application and the controls to be performed. It is intended, in particular, for the national coordinators involved in collecting and reporting data at the Crédit Mutuel regional federations and the main subsidiaries. It may also involve contributions from experts. The methodology defines the audit trail for both internal and external verifications.

This methodology constitutes a common framework for collecting information within the Group on an annual basis. The data collected comprises more than 300 regularly reviewed items that enable the Group to put together the 42 indicators required under Article 225 of the Grenelle II law, as well as numerous additional indicators relating to the Group's cooperative activities and democratic governance.

Reference period of data:

The data relates to the 2015 calendar year (except for the CIC Group, for which the environmental data sometimes covers the period from December 1, 2014 to November 30, 2015).

Main data collection rules:

Data collection for 2015 was announced in October 2015 in order to mobilize all the departments concerned and organize reporting levels and consistency checks. Data collection was broken down into qualitative information (which began in November 2015) followed by quantitative data (which began in mid-December). Compared with the previous year, the new data collected is designed in particular to give a context to the indicators used (specific labor indicators for employees in France, investment with an SRI label as a percentage of total SRI investment, which is itself measured against the assets managed by the specialized subsidiaries). Generally speaking, in the case of partnerships and services providers, preference is given to the data collected directly by the partner in question.

The selected CSR indicators are based in particular on:

- Article 225 of the Grenelle 2 Law;
- greenhouse gas assessments (Decree 2011-829 of July 11, 2011);
- cooperative reporting.

Governance indicators:

Some of the indicators and comments relate to governance. The data in this section is mainly taken from a database used to manage the offices held by the elected members and their functions (entered by Crédit Mutuel local cooperative bank managers as corporate changes are made to their boards) and from the cooperative reporting (entered into an application by local cooperative bank managers between mid-January and end-February to report on corporate actions and events during the previous year). Other information, such as data regarding the membership, is taken from the "management control" information system.

Labor indicators:

The workforce data relates to the salaried employees on the payroll at December 31, excluding trainees, temporary workers and external service providers. The data relating to days of absence includes all the absences of employees under permanent and short-term contracts and those on work/study programs in respect of the following: indemnified sick leave, non-indemnified sick leave, sick leave without a medical certificate, work and travel to work accidents, special leave, leave to care for a sick child, prolonged unpaid leave (more than one month), sabbatical leave, parental leave and work inability leave. It does not include paid leave or days off under collective agreements (compensatory time, seniority, marriage, etc.) or maternity or paternity leave. Lastly, the percentage of payroll spent on training does not include Fongecif subsidies.

Social indicators:

Most of the social indicators come from the Group "management control" information system. The criteria and parameters are computerized in order to achieve greater reliability and traceability of the information provided.

Environmental indicators:

Given the nature of the Group's activities, noise, soil and other forms of pollution from discharges into the air, water and soil which seriously affect the environment at its operating sites do not appear to be significant. Neither does the Group have any significant impact on biodiversity. However, these aspects have been reintegrated into its overall CSR approach although not included in this report. Credit Mutuel has not recognized any provisions in its accounts in respect of environmental risk.

As energy and water consumption data is not available for all Crédit Mutuel-CM11 Group branches, CM-CIC Services has developed a calculation system for estimating this consumption when necessary.

For foreign entities (not in the information system), data has been collected using an Excel spreadsheet, which was then imported into the CSR consolidation application. This mainly concerns the non-French entities of Cofidis Group, the non-French entities of ACM Group, Targobank Germany and Targobank Spain.

Most of the consumption data reported for Crédit Mutuel-CM11 Group (networks, head offices and subsidiaries) are taken from water and energy bills.

An extrapolation is performed to supplement:

- the missing months (in proportion to the months for which data have been entered);
- meters for which no consumption has been entered (surface area of the building times average consumption per m²).

For the CIC banks, data are compared with expenses as a consistency check. In some cases, the published data are adjusted.

For energy consumption (ENV05), approximately 22% of the published data was extrapolated based on the consumption shown on energy bills. For water consumption (ENV04), approximately 50% of the published data was extrapolated based on known consumption.

Thirty indicators are subject to a publication review, a data audit (on-site or remote) based on analytical reviews, substantiation tests on a sampling basis, comparison with sector performance ratios, interviews and a report testifying to the existence of the information and expressing an opinion on its sincerity, issued by the auditors designated as an independent third party.

CODE	Indicator	Unit	2016 amount	2015 amount
GOUV56	Hours of training provided to directors (federation level; CM11)	number	**80,929**	**NA**
SOT16	Number of applications processed - ADIE	number	**Amount published in the CNCM report**	
SOT17	Amount of lines of credit made available - ADIE	€M	**Amount published in the CNCM report**	
SOT19A	Number of new microloans financed - France Active	number	**Amount published in the CNCM report**	
SOT20A	Amounts guaranteed - France Active	€M	**Amount published in the CNCM report**	
SOT19B	Number of Nacre loans disbursed with an additional loan from the Group	number	**Amount published in the CNCM report**	
SOT20B	Loan amounts - France Active Nacre	€M	**Amount published in the CNCM report**	
SOT22	Number of additional bank loans issued - Initiative France	number	**Amount published in the CNCM report**	
SOT23	Amount of additional bank loans issued - Initiative France	€M	**Amount published in the CNCM report**	
SOT28	SRI assets under management	€Bn	**6.1**	**5.6**
SOT37	Assets under management (euros) in socially responsible employee savings plans	€M	**339.5**	**300.7**
SOT40	Number of non-profit organizations that are customers (associations, labor organizations, works councils, etc.)	number	**354,000**	**350,078**
SOT52	Total budget dedicated to patronage and sponsorship	€M	**20.8**(1)	**30**
SOC01 _bis	Total headcount	number	**66,376**	**65,175**
SOC13	Recruitment: Total number of new hires	number	**15,316**	**13,938**
SOC19	Number of employees under permanent contracts who left the organization	number	**4,093**	**3,612**

SOC20	Number of employees under permanent contracts who were dismissed	number	742	719
SOC38	Number of days of absence	number	622,914(2)	677,418
SOC47	% of payroll costs dedicated to training	%	4.5%	4.18%
SOC50	Training: Total hours of training	h	1,720,388	1,626,031
SOC107	Total gross annual compensation - permanent contracts (€)	€M	2,560.3	2,527.00
SOC108	Total gross annual compensation - permanent contracts non-managerial (€)	€M	1,172.6	1,071.60
SOC109	Total gross annual compensation - permanent contracts managerial (€)	€M	1,387.7	1,455.40
ENV05	Total energy consumption	MWh	480,177(3)	507,299
ENV09	Paper consumption	t	9,402	11,116
GOUV14	Number of newly elected directors - local cooperative banks	number	986	NA
GOUV15	Number of newly elected women representatives - Local cooperative banks	number	471	NA
SOT28base	Assets under management by the management company	€	54.6	NA
SOT71	Outstanding regulated subsidized loans (PLS - loans for building low-cost housing, PSLA - home rental-ownership loans)	€	628.7	NA
SOC48	Number of employees who took at least one training course	number	47,196	NA

(1). Reliable data for 2016, source: group financial consolidation department
(2). 2016 data only takes into account days of absence due to illness and accidents
(3). Water vapor data was excluded following a significant and insignificant increase as compared to 2015

VII.3 CSR report – 2016

VII.3.1 – Governance information

The purpose of the data presented under governance information, which is not required by regulation, is to reflect Crédit Mutuel's operating model. This data is taken from several sources:

- The cooperative reporting, entered from January 15 to February 28 by the Crédit Mutuel-CM11 local cooperative banks. The local cooperative bank managers enter this information at a board of directors' meeting in the presence of the elected members. This assessment is part of an effort to promote and develop the Group's cooperative and mutualist practices (also called "cooperative difference"). It allows the Group to affirm and demonstrate the cooperative difference at Shareholders' Meetings, member meetings and on other occasions by providing concrete, quantified examples.
- Statistics regarding elected members: personal data, offices held, functions, etc. This data is entered by the local cooperative bank managers throughout the year as necessary.
- Training of elected members: a common application is used for six of the 11 federations. It provides information about the training courses taken, including length and attendance data. For the federations that do not use this tool, the same data is managed at each federation. The Code of Ethics and Professional Practice applicable to all the Group's elected members and employees stipulates that "elected members and employees must regularly update their knowledge in order to improve their skills and better fulfill their responsibilities." To this end, a training catalog is made available to elected members on various topics, including "the basics" (the elected member, Crédit Mutuel stakeholder, understanding local cooperative bank management, etc.), "the elected member, stakeholder" (day-to-day cooperative banking, actions of the chairmen of the Board of Directors and Supervisory Board, etc.), "activity at the local cooperative bank and within the Group," "markets and products."
- Post-Shareholders' Meeting report: the local cooperative bank managers are invited to enter information about the organization of their Shareholders' Meeting after it has been held. The information provided pertains to the length and cost of the Shareholders' Meeting, the attendance rate, etc.
- Lastly, some data is taken from the management control information system, such as information regarding the number of members.

Membership, voluntary membership

The percentage of customer-members of the 11 federations has remained stable since 2015 and represents 77% of customers who may become members (individual customers of legal age and legal entities). The year 2016 saw the arrival of 285,335 new members and the departure of 210,728 members (BILMUT data – cooperative reporting). These members elect the directors of the various boards of the local cooperative banks at the Shareholders' Meeting.

Code	Indicator name	End-2016 data	End-2015 data
GOUV63	Total number of members	**4,548,917**	**4,554,004**
GOUV62	Number of individual customers of legal age and legal entities	**5,926,326**	**5,972,244**
GOUV65	Percentage of individual customers of legal age and legal entities who are members	**77%**	**76%**

Admission of new members

When relationships are initiated with new members, 97.72% of the CM11 local cooperative banks routinely present the cooperative difference. To ensure that new members receive this information, 90.81% of the local cooperative banks make their employees aware of the cooperative difference.

To increase the number of customer-members, 59.49% of the local cooperative banks take specific actions. Nearly one-fifth of the local cooperative banks (19.12%) inform their new members that they will be invited to a special member-only information meeting. In addition, nearly all the local cooperative banks (97.43%) inform their new members that they will be invited to the next Shareholders' Meeting.

Source: 2016 cooperative reporting.

Boards, democratic control

- *Composition*

Board	Women	Men	Total
Number of elected members on the board of directors	**3,763**	**7,321**	**11,084**
Number of elected members on the supervisory board (*)	**1,448**	**3,313**	**4,761**
(*) concerns only the CMCEE, CMDV, CMIDF, CMM, CMSE and CMSMB federations			

In 2016, 986 new elected members joined the boards of the local cooperative banks following the elections at the local cooperative banks' Shareholders’ Meetings.

At approximately nine years, the average length of an appointment to the supervisory boards and the boards of directors is virtually the same.

Source: elected members' management database.

- *Representativeness of the elected members*

The average age of the directors is 59 (56 for women and 60 for men). The average age of the supervisory board members is 60 (57 for women and 61 for men).

In the initiatives launched by the boards, the percentage of women remains a priority for more than half of the local cooperative banks (51.03%), which take action to increase the rate of women directors and supervisory board members.

Socio-professional categories of elected members	Board of Directors	Supervisory board	Total
Farmers	620	118	738
Tradespeople-merchants-business owners	1,316	449	1,765
Managers and high-level white-collar workers	2,748	1,250	3,998
Intermediary professions	1,236	576	1,812
Employees	1028	407	1,435
Workers	251	141	392
Retirees	3,604	1,690	5,294
Other persons not actively employed	281	130	411
Grand total	11,084	4,761	15,845

- *Operation of the boards*

Based on the bylaws of the federations, the number of meetings held by each type of board may vary from one region to another.

Federation	Average of BoD meetings per year	Average of SB meetings per year	Average of joint BoD / SB meetings per year
CMA	8.79	*not applicable*	*not applicable*
CMC	9.69	*not applicable*	*not applicable*
CMCEE	0.75	3	10
CMDV	4.67	3.53	5.84
CMIDF	7	3.98	3.84
CMLACO	9	*not applicable*	*not applicable*
CMM	6.53	4.5	1.79
CMMA	8.59	*not applicable*	*not applicable*
CMN	9.62	*not applicable*	*not applicable*
CMSE	2.58	4.15	5.15
CMSMB	0.81	2.85	7.87

Shareholders' meetings

2015		
Number of members (present + proxies)	members Regional cooperative federation	Rate of participation
244 760	**4 477 946**	**5,47%**
2016		
Number of members (present + proxies)	members Regional cooperative federation	Rate of participation
248 389	**4 554 004**	**5,45%**

The rate of participation of members remained stable between 2015 and 2016 [GOUV68].

Average cost per person present at the SM in 2015	Average cost per person present at the SM in 2016	Change
44.91	**46.69**	**3.97%**

The average cost per person present at the 2016 Shareholders' Meetings increased between 2015 and 2016 [**GOUV71**].

Source: post-SM report prepared in mid-2016 for the 2016 SMs.

Education and training

- *Development of the membership*

When initiating relationships with new customers, is the cooperative difference presented?	**Yes for 1 329 local cooperative banks (97.72%)**
Are documents provided?	**Yes for 824 local cooperative banks (60.59%)**
Have you held a meeting for new customers?	**Yes for 260 local cooperative banks (19.12%)**
Have you told them that they will be invited to the SM?	**Yes for 1 325 local cooperative banks (97.43%)**
Does the BoD approve new memberships of members by name?	**Yes for 1 074 local cooperative banks (78.97%)**

- *Training of elected members*

Reports on trainings done during shareholder's meetings	**Yes for 1 291 local cooperative banks (94.93%)**
Training that met expectations:	**Yes for 1 320 local cooperative banks (97.06%)**
Have each elected person attended at least one training course during the past 2 years?	**Yes for 454 local cooperative banks (33.38%)**
Are suggestions for new training topics forwarded to the President of the Committee of members?	**Yes for 403 local cooperative banks (29.63%)**

Inter-cooperation - associations

Associations working in the sector of the Crédit Mutuel local cooperative banks	Associations that are customers of the Crédit Mutuel local cooperative banks	Market share	Annual average association support budget per local cooperative bank (assistance, partnership, sponsorship, etc.)
585,962	**245,010**	**41.81%**	**€6 855.47**

Commitment to the community: mutual aid, solidarity

A total of 312 local cooperative banks have launched specific programs to support members in difficulty or precarious situations. In 2016, 2,323 applications were reviewed.

Ideas and proposals to promote and raise awareness of cooperative banking

The proposals made by the CM11 local cooperative banks to promote and raise awareness of cooperative banking include:

Highlighting the differences between cooperative banks and other banks by offering training on this subject to employees and elected members.

- Presenting cooperative banking at the outset of each new customer relationship.
- Creating synergies between elected members and employees: employees' participation at board meetings, elected members' participation at staff meetings, joint annual meeting, etc.
- The use of "sponsorship" and "recommendations."
- Crédit Mutuel representation at associations' Shareholders' Meetings (elected members and/or employees).

VII.3.2 – Social information

Regional, economic and social impact of Crédit Mutuel-CM11 Group's activity

In terms of employment, regional development and local and neighboring populations

Crédit Mutuel-CM11 Group's primary focus is on services provided to the Group's customers and members (individuals, self-employed professionals, etc.) and therefore on the development of the companies in the regions covered by the networks of the Crédit Mutuel local cooperative banks, the CIC branches and the specialized networks of the Group's various businesses. Given its two-fold cooperative and banking nature, Crédit Mutuel-CM11 Group combines community assistance and support with financing for business customers.

By strengthening its network of banking outlets over the years, the Group has built up a strong and diversified presence in every region in France. Crédit Mutuel-CM11 Group distributes its products and services both in France and abroad.

In addition to the "traditional" products and services of the Group's banks, Crédit Mutuel-CM11 Group offers personal and business microloans to customers who wish to receive initial support for their development. These microloans in the legal sense are supplemented by traditional investment loans in amounts of less than €3,000 which are also used to support business development and growth.

In terms of employment assistance, the Group's brands operate at several levels:

- directly through the associations and foundations created by the regional federations [SOT48] – in particular under the Créavenir label – to provide financing (collateral-free loans, repayable advances, grants or guarantees) and human resources to help entrepreneurs start up new ventures or take over existing businesses. Financing criteria vary according to the regional organizations, but local roots and strong responsiveness remain the common denominators. There are also federal representatives for the Foundation for Reading, a Confédération Nationale entity. The aim is to develop a program to prevent illiteracy among toddlers and families and to support initiatives to combat illiteracy;
- through partnerships with recognized support networks: France Initiative, France Active and ADIE. These networks seek to create and consolidate employment, particularly for those excluded from the labor market (job seekers, minimum welfare benefit recipients, disabled persons, etc.), and intervene based on the loan amounts, the total amount of the project and the business creators' financial capacity;
- by facilitating their access to credit and providing technical and financial support.

The Group supports a large number of organizations working to prevent job insecurity: occupational integration associations, local initiative platforms, neighborhood organizations, and, in particular, works with numerous vocational rehabilitation centers to promote the integration of disabled workers into the workplace. Examples include Envie Anjou (refurbishment and resale of domestic appliances), Initiatives Emplois Services (for wine-related professions), Alise Ateliers and Fil d'Ariane.

The ACMs collaborate in Spain with the St. John of God Foundation, and participate in MagicLine, a fundraising walk to help the vulnerable.

In Belgium, Partners Assurances supports the Afiliatys association, which focuses on integration, cultural, social and charitable goals [SOT45].

Finally, two Crédit Mutuel-CM11 Group companies, CM-CIC Asset Management (Crédit Mutuel and CIC's asset management company) and CM-CIC Epargne Salariale (Crédit Mutuel-CM11 Group company specializing in employee savings management) offer the companies and customers of the Crédit Mutuel and CIC networks SRI (socially responsible investment) funds which aim to reconcile economic performance with social and environmental impact by financing companies and public entities that contribute to sustainable development across all business sectors.

Crédit Mutuel-CM11 Group also has a direct impact on local associations. In fact, Crédit Mutuel has traditionally been very involved in local and community affairs in its regions. Of all the Crédit Mutuel local cooperative banks that completed their cooperative reporting for 2016, nearly one-third have a voluntary sector board committee. Of all the local cooperative banks, more than 80% regularly support events of its association-customers. The partnerships take numerous forms, such as financial or material support, the presence of employees and/or elected members at events, etc.

Code	Indicator name	End-2016 data	End-2015 data
SOT01	Number of Crédit Mutuel-CM11 Group points of sale	**4,458**	**4,105**
SOT26	Number of loans on preferential terms (<€3,000) granted	**339,255**	**267,612**
SOT27	Amount of loans on preferential terms (<€3,000) granted	**235,667,559**	**167,000,000**
SOT28	SRI assets under management at 12/31	**6,060,635,941**	**NC**
SOT31	France Emploi mutual fund - assets under management	**NC**	**NC**
SOT32	France Emploi mutual fund - of which paid to associations	**NC**	**NC**
SOT33	Assets under management excl. capitalization of *Livret d'epargne pour les autres* (savings account that benefits humanitarian organizations)	**51,846,646**	**34,361,294**
SOT33LFINANSOL	Assets under management on FINANSOL label products	**NC**	**NC**
SOT35	Amount from solidarity products paid to associations	**NC**	**NC**
SOT37	Assets under management in socially responsible employee savings plans	**339,485.6 K€**	**300,720.6 K€**
SOT37LCIES	Assets under management in CIES label socially responsible employee savings plans	**NC**	**NC**
SOT52	Total budget dedicated to patronage and sponsorship	**20,776,605**	**NC**
SOT71	Outstanding regulated subsidized loans (PLS - loans for building low-cost housing, PSLA - home rental-ownership	**628.7 K€**	**605.8 K€**
SOT87	Amounts invested integrating esg selection criteria	**42,035.6 K€**	**41,274.5 K€**

Relations with persons or organizations affected by Crédit Mutuel-CM11 Group's activities

Conditions of dialog with these persons or organizations

Crédit Mutuel-CM11 Group has many types of stakeholders, including customers, suppliers, employees, directors, etc. Relations with these individuals will be described in detail throughout this report [**ENV02**].

Relations with stakeholders in a purchasing context – particularly suppliers – are mainly the responsibility of Crédit Mutuel-CM11 Group's logistics and technical subsidiaries: CM-CIC Services (CCS) and Euro-Information (EI).

From a technical standpoint, all partners are entered into an internal application, which ensures the reliability of relations with these external suppliers. Managing contracts with suppliers is thus made easier (all documents are scanned, classified and identified) and invoice tracking ensures payment by the due date; in addition, this application will eventually be linked to other purchasing and order management applications. The entire process is therefore more reliable and better controlled.

For Euro-Information, the quality of supplier relations is a key aspect of the quality approach. The suppliers procedure is one of the ISO 9001-certified quality processes monitored and audited by AFAQ (the last surveillance audit was in June 2016, the next renewal audit will be in June 2017). The procedure has been drafted and published and sets forth all the various stages of starting a business relationship, contracting and managing the relationship with the supplier. For requests for proposals and on a regular basis, the Procurement teams ask suppliers to supply documents proving they have a CSR policy and describing that policy. In 2016, only two entities in this category did not have a stated CSR approach because of their size, although they did provide information on their charitable giving and safety approaches. This procedure is applied for hardware/software purchases and for purchases of IT services from IT services suppliers. Updates are conducted on a regular basis.

Partnerships and patronage initiatives

Partnerships and patronage initiatives are an integral part of the activity of the Crédit Mutuel-CM11 Group entities. These initiatives mainly take the form of financial and material support and are carried out at the local cooperative banks, branches, federations and subsidiaries.

In 2016, a total budget of €20.8 million was allocated to partnerships, patronage and sponsorship. There are various types of initiatives and partners:

- educational institutions, universities and schools: a one-day event to inform apprentices about jobs in the banking sector, speeches at institutions, hosting of interns, apprenticeship tax credit, and participation in selection panels;
- integration associations: work with vocational rehabilitation centers, project financing via ADIE (association for the right to economic initiative), support of local initiative platforms, and solidarity foundations of the CM11 federations;
- Cofidis has sponsored a cycling team since 1996. The brand chose cycling, a popular sport that conveys the values of courage, going beyond one's limits and team spirit. Thanks to this investment, in just a few years the Cofidis brand has become known by the general public and now has broad name recognition. This significant investment in terms of partnership represents nearly one-third of Crédit Mutuel-CM11 Group's total patronage and sponsorship budget;
- as well as environmental protection organizations and consumer groups.

Code	Indicator name	End-2016 data	End-2015 data
SOT40	Number of non-profit organizations that are customers (associations, labor organizations, works councils)	354,000	350,078

Subcontracting and suppliers

Inclusion of social and environmental issues in the procurement and subcontracting policy

Crédit Mutuel-CM11 Group's technical and logistics entities have a streamlined "sustainable development"-oriented approach in their relations with suppliers [**SOT81**].

Crédit Mutuel-CM11 Group's Press division has developed specifications for the procurement of paper, ink and printing plates, which are essential raw materials for producing a newspaper. Paper suppliers must show that they have at least one environmental label or certification (PEFC, FSC or Ecolabel).

For the machines and computers managed by the Technology division (Euro-Information), CSR criteria related to energy consumption have been included in the review of new versions of equipment (computers, printers, scanners and copiers) since 2013. New generations of equipment consume no energy when in sleep mode or turned off, which was not the case until 2013. There is also a repair shop to repair and/or refurbish equipment.

Fair practices

*Measures taken to prevent corruption [**SOT79**]*

As in 2015, in addition to the various codes and charters implemented by the Group's companies, an effective system for combating money laundering and terrorist financing (AML/CTF) which complies with regulatory requirements has been put in place. This adapts the general principles to each business line through detailed procedures and self-training modules. It is based on AML correspondents in each entity in France and abroad. Periodic, permanent and compliance controls are implemented to ensure that risks are covered and the consistency of the procedures implemented [**SOT79**].

Crédit Mutuel-CM11 Group has no operations in so-called non-cooperative countries or territories, a list of which is published regularly by the French government. Transactions that might be carried out by customers with countries on the FATF blacklist are subject to reinforced vigilance. The results are reported regularly to the federations' permanent control committees, audit committees and boards of directors.

Crédit Mutuel has operations in Germany, Belgium, Spain, Luxembourg, Monaco, Portugal, Switzerland and, through its subsidiaries, in several Eastern European countries, mainly in retail banking activities. These operations are known to all and presented in a prominent position in the Group's communication (annual reports and websites). The countries in question are neighboring countries with which Crédit Mutuel, given its organization and history, has had natural ties for many years. To achieve the goal of international transparency it has set, the Group ensures that all activities comply with applicable tax and compliance rules.

Crédit Mutuel-CM11 Group has also introduced stronger security measures for customer transactions via the Internet. In addition, Euro-Information (E-I), Crédit Mutuel-CM11 Group’s IT subsidiary, has dedicated teams whose task is to constantly update software, security patches, etc. and continuously protect against threats related to remote banking services. Security levels are audited regularly by independent auditors. E-I has developed a specific module, the "barre de confiance CM" toolbar, which is installed in Web browsers to ensure secure browsing: as soon as a phishing site is detected, the module blocks the page and advises the user to leave it immediately. Lastly, a special email address enables anyone who believes they have identified a fraudulent site to contact Euro-Information.

Crédit Mutuel-CM11 Group's members and subsidiaries implement the same code of ethics and professional practice and perform an annual review to verify compliance with the eight rules of good conduct that apply to everyone – elected directors and employees – according to their respective responsibilities. It is based on the general principles of best serving customers interests and strict compliance with confidentiality rules.

With a response rate of close to 100% and a compliance rate of more than 95%, this system is now firmly implanted within the Group. This year, special focus was placed on training for both directors and employees.

The Code of Ethics and Professional Practice is public and available on the Group’s websites. The foreword to the code stresses the Group’s commitment to:

- encouraging members’ involvement in the activities and governance of their local mutual bank;
- building strong and lasting relations with members and customers based on reciprocal trust, transparency and compliance with mutual commitments;

- listening to, advising and helping members and customers with their projects and their difficulties;
- offering high-quality products and services to members and customers;
- contributing to local development and employment by encouraging people to save and channeling deposits into the local and regional economy [**SOT59**]; and
- helping improve the living environment, resolving social problems and promoting sustainable development.

In addition, employees who hold sensitive positions are subject to even stricter professional rules, in particular governing and limiting their personal transactions. At Crédit Mutuel and CIC, each local cooperative bank and branch performs an annual review of the proper application of these rules as part of the internal control process.

Measures taken in favor of consumer health and safety

In accordance with regulatory requirements, work is underway to bring all the Group's public buildings into compliance with laws related to access for disabled individuals [**SOT80**].

At the level of the Group's activities, numerous efforts are made to identify and support persons in difficulty (those banned from writing checks, victims of the crisis, excessive debt, etc.) and to prevent such situations from occurring. For example, the aim of FACIL'ACCES is to limit fees in case of incidents involving customers with financial difficulties, as provided by regulations.

Other measures taken to promote human rights

Crédit Mutuel-CM11 Group has no other measures to promote human rights, mainly because it does not have a significant presence in countries considered high-risk.

VII.3.3 – Employment information

Employment

Total number of employees

Crédit Mutuel-CM11 Group had 66,376 employees at end-2016. The increase over 2015 was due primarily to the Group's acquisitions in 2016.

Code	Indicator name	End-2016 data	End-2015 data
SOC01 _bis	Workforce (individuals)	**66,376**	**65,175**

Breakdown of employees by gender and age (1)

Code	Indicator name	End-2016 data
SOC88	Workforce < 25 years old	**4,070**
SOC90	Workforce 25-29 years old	**7,393**
SOC92	Workforce 30-34 years old	**9,286**
SOC94	Workforce 35-39 years old	**10,028**
SOC96	Workforce 40-44 years old	**8,537**
SOC98	Workforce 45-49 years old	**7,245**
SOC100	Workforce 50-54 years old	**7,688**
SOC102	Workforce 55-59 years old	**7,702**
SOC104	Workforce +60 years old	**3,248**
TOTAL		**65,197**

Breakdown of employees by geographic area

Crédit Mutuel-CM11 Group employs 54,989 people in mainland France, its primary area of operation, and 10,367 people outside France. [**SOC01-F205**] – [**SOC01-H215**].

New hires

Code	Indicator name	End-2016 data	End-2015 data
SOC13	Recruitment: Total number of new hires	**15,316**	**13,938**
SOC15	Women hired	**8,285**	**7,952**
SOC16	Hired under permanent contracts	**4,883**	**4,402**

New hires under permanent contract in banking were mainly young people recruited for the local cooperative banks and branches. All employees are given numerous mobility opportunities so they can subsequently chart their careers. The Group strongly supports this mobility as it enables its companies to adjust their workforce.

Dismissals

Code	Indicator name	End-2016 data	End-2015 data
SOC19	Number of employees under permanent contracts who left the organization	**4,093**	**3,612**
SOC20	Number of employees under permanent contracts who were dismissed	**742**	**719**

Salaries, including changes

Code	Indicator name	End-2016 data	End-2015 data
SOC73	Gross payroll excluding employers' contributions	**2 641,7 M€**	**2 600,3 M€**
SOC107	Total gross annual compensation - permanent contracts	**2 560,3 M€**	**2 527,0 M€**
SOC108	Total gross annual compensation - permanent contracts, non-managers	**1 172,6 M€**	**1 071,6 M€**
SOC109	Total gross annual compensation - permanent contracts, managers	**1 387,7 M€**	**1 455,4 M€**
SOC80	Total amount of social security contributions paid	**1 489,4 M€**	**1 470,1 M€**

As it does with staffing, the Group avoids sudden fluctuations through sound compensation management. Commissions are not mandatory at most companies.

Work organization

Organization of working hours

Code	Indicator name	End-2016 data (1)	End-2015 data
SOC29	Number of full-time employees (permanent contracts, short-term contracts, incl. full-time parental leave)	**56,397**	**49,969**
SOC30	Number of part-time employees (permanent contracts, short-term contracts and managers with reduced day-defined contract duration)	**9,168**	**6,855**
(1) This data corresponds to the Group scope, excluding CIC foreign subsidiaries, ACM foreign subsidiaries and Targobank Germany			

With the exception of specific positions, such as newspaper delivery staff, almost all hires are full-time employees. Once employees are hired, the employer never requires them to shift to part-time work. Employees currently working part-time have therefore all chosen to do so.

Absenteeism

Code	Indicator name	End-2016 data	End-2015 data
SOC38	Total number of days of absence	**622,914**	**677,418**
SOC39	Number of days of sick leave	**602,951**	**475,068**
SOC40	Number of days of absence for work accidents	**19,963**	**17,537**
SOC41	Number of days of maternity/paternity leave	**164,666**	**184,813**
The 2016 data includes only days of absence for illness, accidents and parental leave			

Industrial relations

Organization of social dialog; staff information, negotiation and consultation procedures

Code	Indicator name	End-2016 data	End-2015 data
SOC67	Number of convictions for interference with the proper functioning of the works council (in France)	**0**	**0**
SOC78	Number of consultations of staff representatives (works council, workplace health and safety committee, employee representatives)	**1,398**	**1,172**
SOC79	Number of staff representative information procedures (works council, workplace health and safety committee)	**1,477**	**1,016**

Assessment of collective bargaining agreements

In 2016, several Group (companies that signed the Crédit Mutuel collective agreement) and division agreements (under the auspices of the confederation) were signed.

Group agreements include the agreement on strategic workforce planning within Crédit Mutuel-CM11 Group signed on March 17, 2016. This agreement seeks to anticipate how companies and their staffing needs will change by promoting the training and adaptation of employees and ensuring that career paths will always be open to them.

The collective agreement was also significantly revised. Amendment 10 takes into account changing professions and simplifies how compensation is presented. The main changes concern the transition from the “bank points” system to the euro to calculate compensation. The banking sector has traditionally calculated compensation using the concept of “bank points.” Banks have gradually begun to abandon this approach, which was a holdover from government practices. Compensation is now expressed in euros in the Crédit Mutuel collective agreement and on pay slips as of December 1. The objectives of this change are a straightforward reading of wages and a simplified calculation of the total compensation detailed in the individual employment benefit report (*bilan social individuel*).

Job descriptions have also become more precise. Job classifications will be more in line with the way professions are currently practiced: new jobs will be added while others are eliminated and certain descriptions are clarified. In the interest of accuracy and clarity, job descriptions will also be supplemented, if necessary, to include the business activity.

Lastly, for managers of local cooperative banks, new rules have been adopted for classifying these entities. These rules will apply beginning in 2017. The classification now takes into account the results of all the CM11 local cooperative banks and the “fees and commissions” criterion has been replaced with “net banking income excluding subsidies.” The other criteria (customer savings deposits, financial savings and loans) remain unchanged.

Agreements were also signed at the various entities of Crédit Mutuel-CM11 Group, either to adapt a regulation locally or to adapt a division or Group agreement to the relevant entity or to existing agreements specific to an entity. For example, there were several variations of the Group agreement on gender equality, which was then adapted to all the Group's subsidiaries.

Health and safety

Health and safety conditions at work

Several documents were signed to account for and improve health and safety conditions at work.

Pursuant to the national inter-branch agreement (*Accord National Interprofessionnel*) of March 26, 2010, and building on the work accomplished under the national inter-branch agreement of July 2, 2008, Crédit Mutuel-CM11 Group decided to establish a charter to improve Group employees’ understanding and awareness of harassment and violence in the workplace and to more adequately prevent, reduce and end such situations.

The charter reflects Crédit Mutuel-CM11 Group’s clear determination to ensure that the principles of respect for human dignity are applied within the Group. Crédit Mutuel-CM11 Group also reiterates its determination to address, with the previously specified objective, harassment and violence in the workplace, which will not be tolerated within the Group.

Under the agreement of May 31, 2010, the trade unions and employers' organizations decided to explore the issue of stress through a collective approach by first conducting studies designed to acquire specific scientific knowledge of the sources of stress.

The complexity of this issue made it impossible to propose operational solutions for preventing, reducing or eliminating stressful situations without taking this initial step. The traditional measurement and action tools do not apply to stress: human factors, subjectivity of the situations, interaction with personal and family life.

This prompted the trade unions and employers' organizations to set up a task force made up of external contributors and Crédit Mutuel-CM11 Group employees with a view to taking long-term preventative measures.

Based on the information this task force has brought to light, management has defined a series of actions aimed at preventing, reducing or eliminating the stressful situations that may exist in the Group’s companies, banks or federations.

Agreements with unions and staff representatives regarding health and safety at work

A safety charter was introduced in 2013 and remains valid for Group employees. It sets out the safety conditions applicable to all with respect to access rules, safety inspections and the use of the tools and equipment provided.

A charter on preventing and combating harassment and violence within Crédit Mutuel-CM11 Group has also been in place since 2013. It reflects a clear determination to ensure that the principles of respect for human dignity are applied within the Group. The Group also reiterates its determination to address, with the previously specified objective, harassment and violence in the workplace, which will not be tolerated within the Group.

The charter lays down principles, determines policies and defines a specific procedure. Adherence to it is therefore essential. It builds on the guarantees defined by laws and regulations without substituting them.

Workplace accidents and work-related illnesses

Code	Indicator name	End-2016 data (1)	End-2015 data
SOC44	Number of reported workplace accidents with leave of absence	476	422
(1) including relapses			

Work-related illnesses

Code	Indicator name	End-2016 data	End-2015 data
SOC43	Number of work-related illnesses	9	19

Training

Training policies implemented

The draft multi-year training plan covers the next three years and builds on the Group's medium-term plan. It relies on the Group's strategic directions, adapted to its different companies, and also incorporates needs arising from:

- strategic workforce planning,
- changing professions – underpinned by changing customer relationships,
- more customized skill-building training.

The training plan, just one of the ways the Group supports skill building, helps all employees adjust to and cope with technical, economic and regulatory developments as well as the changing relationship with our customers.

To meet individual and collective needs, the 2016-2018 training plan calls for:

- essential strategic initiatives on new skills development to be implemented in 2017;
- strategic initiatives on skill building to be implemented over a multi-year period;
- introductory and in-depth business courses;
- individual actions to build skills as part of an updated offering.

Code	Indicator name	End-2016 data	End-2015 data
SOC46	Payroll invested in training (payroll including employers' contributions invested in training)	119,97 M€	109,1 M€
SOC47	Percentage of payroll invested in training	5.97%	4.18%
SOC48	Number of employees who took at least one training course	46,516	46,612
SOC49	Percentage of employees trained	70.92%	72.37%

Number of training hours

Code	Indicator name	End-2016 data	End-2015 data
SOC50	Total number of hours dedicated to employee training	1,720,388	1,625,368

Equal treatment

Measures to promote gender equality

A division agreement related to workplace equality was signed in 2015. Compared to the initial version of March 21, 2007, several improvements and updates were made to the agreement of December 9, 2015 based on changes in legislation and in the practices of the Crédit Mutuel federations. It now includes annual male/female comparative indicators related to employment, compensation and training to measure any changes and discrepancies between men and women in these areas.

Variations of this agreement were also signed at the Group's entities.

In 2016, a management form was created for local cooperative bank managers as part of their management training. They can use it to suggest tools to eliminate/prevent employee inequality.

Measures to promote employment

There were no new Group or division agreements in 2016. However, several agreements remained in force:

- division agreement of December 15, 2009 on the employment of senior citizens in the Crédit Mutuel division,
- division agreement of January 14, 2009 on the employment and integration of disabled people in the Crédit Mutuel division.

Aside from these agreements, it should be noted that the number of employees at the Group's entities remained virtually unchanged, which demonstrates mathematically that jobs are being protected.

Measures to promote the integration of disabled people

In addition to the aforementioned agreement on the employment and integration of disabled people, more general measures are taken to adapt the Group's premises to accommodate disabled employees and customers. Generally speaking, adjustments are made to workstations as required by the disability and premises are upgraded to comply with legislation.

Code	Indicator name	End-2016 data	End-2015 data
SOC68	Number of disabled workers in the total workforce	1,017	530
SOC71	Percentage of disabled workers in the total workforce	1.55%	0.82%

Anti-discrimination policy

Most anti-discrimination actions and policies are covered by the aforementioned agreements.

Promotion of and compliance with the International Labour Organization's (ILO) Fundamental Conventions

The International Labour Organization's fundamental conventions date back to 2003 (latest version). The Governing Body of the International Labour Office has identified eight conventions as fundamental to the rights of human beings at work, irrespective of the level of development of individual Member States. These rights are a precondition for all the others in that they provide a framework from which workers can strive to improve their individual and collective working conditions.

The ILO Declaration on Fundamental Principles and Rights at Work, adopted in June 1998, highlights this set of core labor principles endorsed by the international community. The Declaration covers four main areas for the establishment of a social "floor" in the world of work:

- freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced or compulsory labor;
- the effective abolition of child labor;
- the elimination of discrimination in respect of employment and occupation.

Respect of freedom of association and the right to collective bargaining

According to the ILO, all workers and all employers have the right to form and freely join organizations of their choice to defend and promote their occupational interests. This fundamental right goes hand in hand with freedom of expression and is the basis of democratic representation and good governance. Everyone must be able to exercise their right to influence matters that directly impact their work. Their voice must be heard and taken into account.

Crédit Mutuel-CM11 Group respects this freedom and carries out staff representative consultation and information procedures at all the Group's entities very regularly and whenever necessary.

Code	Indicator name	End-2016 data	End-2015 data
SOC67	Number of convictions for interference with the proper functioning of the works council (in France)	**0**	**0**
SOC78	Number of consultations of staff representatives (works council, workplace health and safety committee, employee representatives)	**1,398**	**1,172**
SOC79	Number of staff representative information procedures (works council, workplace health and safety committee)	**1,477**	**1,016**

Elimination of discrimination in respect of employment and occupation

In terms of employment and occupation, the Crédit Mutuel Group complies with the law of August 4, 2015 on true equality between men and women. Several agreements have been signed to this end at the Group. In 2016, a company-wide agreement was approved which stipulated that "*no measure may be taken on the basis of gender regarding compensation, training, assignment, qualification, classification, promotion, recruitment or transfer*" and that "*decisions must be based on objective criteria*".

Regarding the employment and integration of disabled people in the Crédit Mutuel division, a division agreement signed on January 14, 2009 is in line with the new labor regulations for disabled individuals resulting from the law of February 11, 2005 on equal rights and opportunities, participation and citizenship of disabled individuals. This agreement stipulates, among other things, that "*the recruitment of any disabled person must comply with the employment policy within the Crédit Mutuel division. Disabled persons may therefore be hired for all types of jobs and/or position levels compatible with their professional abilities and skills, where applicable with the necessary adjustments for a successful integration (environment, work organization, working hours, etc.)*".

Elimination of forced or compulsory labor

The ILO defines forced labor as follows: *"Forced labor occurs where work or service is exacted by the State or by individuals who have the will and power to threaten workers with severe deprivations, such as withholding food or land or wages, physical violence or sexual abuse, restricting peoples' movements or locking them up"*.

In its collective agreement and in line with this text, the Crédit Mutuel Group defines the notion of reciprocal notice related to the option given to employees to legally resign. In all countries where Crédit Mutuel-CM11 Group operates, it has pledged to comply with the ILO's conventions.

Effective abolition of child labor

Crédit Mutuel Group complies with the ILO's conventions and with French regulations on the abolition of child labor. The ILO indicates that "*to achieve the effective abolition of child labor, governments should fix and enforce a minimum age or ages at which children can enter into different types of work. Within limits, these ages may vary according to national social and economic circumstances. However, the general minimum age for admission to employment should not be less than the age of completion of compulsory schooling and never be less than 15 years. In some instances, developing countries may make exceptions to this, and a minimum age of 14 years may be applied where the economy and educational facilities are insufficiently developed*".

VII.3.4 – Environmental information

General environmental policy

Organization adopted by the company to take into account environmental issues

Generally speaking, Crédit Mutuel-CM11 Group's service activity does not generate a large amount of pollution. Most of the environmental data and criteria concern raw materials (mainly paper) and energy consumption. To reduce the Group's environmental footprint, actions are taken in these areas:

- development of videoconferencing solutions to avoid unnecessary travel
- configuration of printers for automatic duplex printing
- introduction of e-learning courses and networked classes

Code	Indicator name	End-2016 data	End-2015 data
ENV32	Number of videoconferences	**123,695**	**44,242**
ENV44	Human resources dedicated to CSR (FTE)	**13.51**	**20.28**

Environmental assessment or certification processes

There is currently no Group environmental certification process. As required by law, in 2016 energy audits were performed at most of the Group's buildings. In the wake of these audits, certification projects are underway to assess, analyze and reliably implement solutions to control energy consumption. This process should be in place by 2017 or 2018.

Employee training and information on environmental protection

CM-CIC Services, the Group subsidiary that specializes in real estate portfolio management, planned to take action in 2016 aimed at informing and educating employees. In parallel to this, several Group entities raised awareness among their employees about environmentally-friendly practices during sustainable development week.

Pollution and waste management

Measures for preventing, recycling and eliminating waste

Paper consumed by the Group is recycled by external service providers. This is a growing trend at all Crédit Mutuel-CM11 Group entities.

Measures are also taken at a more local level, such as waste sorting (several waste bins made available for paper and other waste). Toner cartridges are also recycled after use.

Code	Indicator name	End-2016 data	End-2015 data
ENV15	Used paper sent for recycling (waste)	**5,061.1 tons**	**5,408.8 tons**
ENV16	Number of toner cartridges recycled after use	**65 579**	**58 656**

Circular economy

Waste prevention and management

Measures for preventing, recycling, reusing, other forms of recovering and eliminating waste

A number of actions have been implemented or maintained:

- light bulbs are gradually being replaced with energy-saving bulbs;
- computer transactions are used to avoid printing work documents, for example, electronic general terms and conditions and the introduction of electronic signatures;
- a procedure has been put in place to accept electronic invoices: all invoices have been electronic since 2015; Proségur (supplier) invoices have been partially electronic since 2016;
- the CCS reprographic print shops now use AA-certified paper for printing;
- the type of paper (certified or recycled) is now indicated in the Sofédis catalogue; and
- furniture is recycled internally.

CM-CIC Services has taken strong steps to comply with the recycling decree, such as creating a recycling drop-off point at Nantes Champ de Mars (new CMLACO head office) and implementing waste recycling at Lyon Cap Vaise (CCS site).

A number of local initiatives have also allowed for battery and coffee pod recycling.

Initiatives to combat food waste

Crédit Mutuel-CM11 Group has several corporate cafeterias associated with Group entities. These restaurants are managed in a variety of ways, including by works councils or associations, in conjunction with training centers, or by external service providers.

For example, the shared company cafeteria at the Wacken site rigorously manages the ingredients that come in and the waste that is produced by the meals it serves every day.

The following are some of the statistics for this restaurant (2016 data):

- average number of meals served per day: 2,154
- number of meals served per year: 540,496
- number of days the cafeteria is open per year: 250

This restaurant has taken numerous steps to combat food waste. Information sheets are prepared for each dish, indicating exactly how much of each ingredient is needed. The number of dishes served is also adjusted based on various criteria: seasonality, number of people potentially in the office (using HR data: training, leave, etc.). During meal service, new “off-menu” dishes may also be prepared to meet a specific need.

Sustainable use of resources

Water consumption

Code	Indicator name	End-2016 data	End-2015 data
ENV04	Water consumption (m3)	**655,927**	**552,550**

Consumption of raw materials

Code	Indicator name	End-2016 data	End-2015 data
ENV09	Total paper consumption	**9,402 tons**	**11,116 tons**
ENV10	Total paper consumption for intern use	**2,496 tons**	**4,654 tons**
ENV11	Total paper consumption for extern use	**6,906 tons**	**31,685 tons**
ENV15R	Total recycled paper purchased	**1,767 tons**	**569 tons**

Measures taken to improve their efficient use

Most of the measures taken relate to energy consumption (see above). The more efficient use of raw materials (mainly paper) primarily involves using duplex printers within the Group.

Energy consumption

The logistics team at CCS are in contact with the country's main energy producers and suppliers. The goal is to streamline administrative tasks (management of contracts, payments, etc.), thereby making the energy consumption process more reliable.

Code	Indicator name	End-2016 data	End-2015 data
ENV05	Total energy consumption	**480,177 MWh***	**507,299 MWh**
** without urban water vapor network*			

Measures taken to improve energy efficiency

In accordance with the RT2012 regulations, construction projects managed by CCS are analyzed with help from specialized engineering firms.

The new CMLACO headquarters under construction are BBC (low energy building) and HQE (high environmental quality) certified, as is the renovation of the CMC headquarters in Orléans.

As part of the analysis of the recommendations made following the energy audits, steps should be taken to integrate these aspects and develop a program with objectives and measurements of results in relation to standards.

Measures taken to improve the use of renewable energies

At the Group level, no measures to improve the use of renewable energies are planned.

Climate change

Greenhouse gas emissions

In accordance with applicable regulations, in 2015 energy audits were performed at Crédit Mutuel-CM11 Group's buildings. The Group's entities required to do so therefore carried out and reported their Greenhouse Gas Emissions Assessment (BEGES) in 2015 based on 2014 data (CIC banks, Cofidis and the CM11 federations). Studies are underway to find solutions to reduce greenhouse gas emissions. This will mainly involve more or less substantial projects to eventually reduce emissions.

Adaptation to the effects of climate change

Given its activity as a service provider, Crédit Mutuel-CM11 Group’s environmental impact is limited. Areas for improvement in its operations have nonetheless been identified. Numerous initiatives have been taken and quantified objectives have been set which take into account the specific nature of its activities (faster reduction of paper consumption through extensive use of electronic documents, recycling of office consumables, more efficient travel planning and reducing energy consumption in terms of lighting, heating, putting computers in sleep mode, etc.).

Given the nature of its activities, the Group's actions focus mainly on water and paper. The first step consisted in defining the scope, identifying the suppliers and ensuring accurate data collection. Reducing consumption of natural resources necessarily requires a precise knowledge of existing consumption.

For the past several years, Crédit Mutuel has developed environmental incentives at the local and regional levels for adapting to the effects of climate change. It has developed specific products: as well as interest-free environmentally friendly loans, it offers long and short-term energy savings loans. It is actively involved in encouraging the development of new types of housing known as ‘participative housing’, which could provide a third option alongside single-family housing and group housing.

The financial risks associated with climate change expose Crédit Mutuel-CM11 Group to three types of risks:

- physical risk (natural disaster, etc.);
- transition risk representing the risks arising from the transition to a low-carbon economy; and
- reputation risk.

Apart from the physical impact on its own operations, the other impacts identified (applicable to Group entities involved in the targeted activities) are as follows:

- borrower default risk: at the retail banking and corporate banking (large accounts, project financing) levels;
- asset impairment risk for investment banking, market transactions (bond issues), asset management and the property and health insurance activities;
- liability risk: failure to provide proper advice, disputes related to fiduciary responsibility (asset management, insurance activities).

Within operational risks, specific physical risks are analyzed individually through climate risk maps (floods, earthquakes, etc.). The emergency and business continuity plan excludes all facilities in climate risk areas, and a capital requirement is calculated for perceived risks.

Customer physical risks are mitigated through insurance coverage and the geographic diversification of the exposures.

Other risks (excluding liability risk) are assessed in the current prudential framework through capital requirements for credit risk.

Article 173 of the energy transition for green growth law.

Crédit Mutuel Group’s exposures to polluting sectors have been identified since December 31, 2016 in the quarterly tracking by the CNCM Risks Department: general mining (ICB 017075), mining of coal and lignite (NACE 0510Z & NACE 0520Z), coal (ICB 017071) and retail sale of coal (NACE 4778B).

The share of exposure to polluting sectors represents 0.07% of total gross customer exposures (consolidated scope-Basel calculator) at December 31, 2016.

These business sectors are also supervised through monitoring of national sector-specific limits, a system that forms part of Crédit Mutuel Group's risk monitoring and management framework and is implemented in each regional group.

- General mining, mining of coal and lignite, and coal are part of the Oil & Gas, Commodities sector, for which the sector-specific limit is 4%.
- Retail sale of coal is part of the Retail sector, for which the sector-specific limit is 6%.

Operational risks related to climate risk are also being mapped with the aim of optimizing this system. The objective of the climate risk map is to assess the impact of climate risk on the business and identify certain safeguards.

Stress tests on climate risk will be performed as soon as the competent authorities have informed the Group of the methodology to be used to evaluate the procedure.

The Group also supports the development of renewable and alternative energies, and in 2016 funded several investments in collective methanation projects in Vihiers, a hydroelectric project and several photovoltaic projects (for the private sector). [**SOT60**].

Most of the construction and renovation projects underway at Crédit Mutuel buildings are HQE projects (Paris, Valence, etc.) or aimed at achieving the BBC energy efficiency label (Nantes, Orléans, etc.) [**ENV40**]. Connection to collective heating networks is preferred whenever possible (Nantes, Strasbourg, etc.).

Finally, although it has no particular vulnerability to the climate change risks, the Group has begun to develop expertise in reducing energy consumption. CM-CIC Services Immobilier, the subsidiary that manages a large part of the Group's property, has already begun to prepare for application of Law No. 2013-619 of July 16, 2013 bringing French law into line with European Union law relating to sustainable development and introducing an obligation for large corporations to carry out a first energy audit or comply with ISO 5000-1 standards by December 5, 2016. Discussions are underway with the public authorities on proper application of the provisions of the November 2015 decrees (energy audits) by cooperative groups.

VII.4 Cross-reference table

I.	**EMPLOYMENT INFORMATION**	
I.a)	**EMPLOYMENT**	
I.a) 1.1	Total number of employees	SOC01_bis
I.a) 1.2	Breakdown of employees by gender	SOC01-F201 ; SOC01-F202 ; SOC01-F203 ; SOC01-F204 ; SOC01-F205 ; SOC01-H211 ; SOC01-H212 ; SOC01-H213 ; SOC01-H214 ; SOC01-H215 ; SOC07
I.a) 1.3	Breakdown of employees by age	SOC88 ; SOC89 ; SOC90 ; SOC91 ; SOC92 ; SOC93 ; SOC94 ; SOC95 ; SOC96 ; SOC97 ; SOC98 ; SOC99 ; SOC100 ; SOC101 ; SOC102 ; SOC103 ; SOC104 ; SOC105
I.a) 1.4	Breakdown of employees by geographic area	SOC01-F205 ; SOC01-H215 ; SOC02
I.a) 2.1	New hires	SOC13 ; SOC15 ; SOC16
I.a) 2.2	Dismissals	SOC19 ; SOC20
I.a) 3.1	Compensation	SOC73 ; SOC107 ; SOC108 ; SOC109 ; SOC80
I.a) 3.2	Change in compensation	SOC73 ; SOC107 ; SOC108 ; SOC109 ; SOC80
I.b)	**WORK ORGANIZATION**	
I.b) 1	Organization of working hours	SOC01-F201 ; SOC01-F202 ; SOC01-F203 ; SOC01-F204 ; SOC01-H211 ; SOC01-H212 ; SOC01-H213 ; SOC01-H214 ; SOC08 ; SOC29 ; SOC30
I.b) 2	Absenteeism	SOC38 ; SOC39 ; SOC40 ; SOC43 ; SOC44
I.c)	**INDUSTRIAL RELATIONS**	
I.c) 1	Organization of social dialog; staff information, negotiation and consultation procedures	SOC67 ; SOC78 ; SOC79 ; SOC87
I.c) 2	Assessment of collective bargaining agreements	SOC83 ; SOC202
I.d)	**HEALTH AND SAFETY**	
I.d) 1	Health and safety conditions at work	SOC45
I.d) 2	Agreements with unions and staff representatives regarding health and safety at work	SOC45 ; SOC84
I.d) 3	Frequency and severity of workplace accidents	SOC44
I.d) 4	Work-related illnesses	SOC43
I.e)	**TRAINING**	
I.e) 1	Training policies implemented	SOC46 ; SOC47 ; SOC48 ; SOC49 ; SOC203
I.e) 2	Number of training hours	SOC50
I.f)	**EQUAL TREATMENT**	
I.f) 1	Measures to promote gender equality	SOC56
I.f) 2.1	Measures to promote employment	SOC22 ; SOC56
I.f) 2.2	Measures to promote the integration of disabled people	SOC68 ; SOC71 ; SOC56 ; SOC70
I.f) 3	Anti-discrimination policy	SOC56
I.g)	**PROMOTION OF AND COMPLIANCE WITH THE INTERNATIONAL LABOUR ORGANIZATION'S (ILO) FUNDAMENTAL CONVENTIONS**	
I.g) 1	Respect of freedom of association and the right to collective bargaining	SOC67 ; SOC78 ; SOC79
I.g) 2	Elimination of discrimination in respect of employment and occupation	SOC56 – SOC64
I.g) 3	Elimination of forced or compulsory labor	SOC65
I.g) 4	Effective abolition of child labor	SOC66
II.	**ENVIRONMENTAL INFORMATION**	
II.a)	**GENERAL ENVIRONMENTAL POLICY**	
II.a) 1.1	Organization adopted by the company to take into account environmental issues	ENV32 ; ENV44 ; ENV01
II.a) 1.2	Environmental assessment or certification processes	ENV41
II.a) 2	Employee training and information on environmental protection	ENV43
II.a) 3	Resources devoted to the prevention of environmental risks and pollution	Non concerné
II.a) 4	Amount of provisions and guarantees for environmental risks (provided such information is not likely to cause serious harm to the company in a pending lawsuit)	Non concerné
II.b)	**POLLUTION AND WASTE MANAGEMENT**	
II.b) 1.1	Preventative, reduction and repair measures: air	Non concerné
II.b) 1.2	Preventative, reduction and repair measures: water	Non concerné
II.b) 1.3	Preventative, reduction and repair measures: soil	Non concerné
II.b) 2	Measures for preventing, recycling and eliminating waste	ENV206 ; ENV207 ;
II.b) 3	Measures to take into account noise pollution and any other form of pollution specific to an activity	Non concerné
II. c)	**CIRCULAR ECONOMY**	
II. c) i) 1	Prevention, recycling, re-use, other forms of recovery and disposal;	ENV203 ; ENV204
II. c) i) 2	Actions to combat food waste;	SOT410
II. c) ii) 1	Water consumption and water supply according to local constraints;	ENV04
II. c) ii) 2	Consumption of raw materials and measures taken to improve efficiency in their use;	ENV09 ; ENV10 ; ENV11 ; ENV15R ; ENV39 ; ENV42
II. c) ii) 3	Energy consumption, measures taken to improve energy efficiency and the use of renewable energies;	ENV205 ; ENV38 ; ENV40 ; ENV05 ; ENV208
II. c) ii) 4	Land use	Non concerné
II.d)	**CLIMATE CHANGE**	
II.d) 1	Greenhouse gas emissions	ENV30 ; ENV37
II.d) 2	Adaptation to the effects of climate change	SOT60 ; ENV40
II.e)	**PROTECTION OF BIODIVERSITY**	
II.e) 1	Measures taken to preserve or develop biodiversity	Non concerné

III.	**INFORMATION ON SOCIAL COMMITMENTS TO FURTHER SUSTAINABLE DEVELOPMENT**	
III.a)	**REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITY**	
III.a) 1	In terms of employment and regional development	SOT01 ; SOT13 ; SOT16 ; SOT17 ; SOT19A ; SOT19B ; SOT201 ; SOT202 ; SOT20A ; SOT20B ; SOT22 ; SOT23 ; SOT26 ; SOT27 ; SOT28 ; SOT31 ; SOT32 ; SOT33 ; SOT33LFinansol ; SOT35 ; SOT37 ; SOT37LCIES ; SOT49 ; SOT52 ; SOT71 ; SOT87 ; SOT52 ; SOT45
III.a) 2	On local or neighboring populations	SOT26 ; SOT27 ; SOT52
III.b)	**RELATIONS WITH PERSONS OR ORGANIZATIONS AFFECTED BY THE COMPANY'S ACTIVITIES, INCLUDING INTEGRATION ASSOCIATIONS, EDUCATIONAL INSTITUTIONS, ENVIRONMENTAL PROTECTION ORGANIZATIONS, CONSUMER GROUPS AND NEIGHBORING POPULATIONS**	
III.b) 1	Conditions of dialog with these persons or organizations	ENV02 ; SOT40
III.b) 2	Partnerships and patronage initiatives	SOT52
III.c)	**SUBCONTRACTING AND SUPPLIERS**	
III.c) 1	Inclusion of social and environmental issues in the procurement policy	SOT81
III.c) 2	Extent to which subcontracting is used and the importance given to the social and environmental responsibility of suppliers and subcontractors	SOT81
III.d)	**FAIR BUSINESS PRACTICES**	
III.d) 1	Measures taken to prevent corruption	SOT79
III.d) 2	Measures taken in favor of consumer health and safety	SOT80
III.e)	**Other measures taken to promote human rights**	
	Not applicable	

VII.5 CSR report – Technology division

Quantitative data :

Indicator code	Indicator name	Unit	Data at end 2016
ENV04	Water consumption	Cubic meter	36 487,74
ENV05	Total energy consumption	Kilowatt hour	63 980 474
ENV05_01	Urban steam distribution systems	Kilowatt hour	1 496 153
ENV05_01_CO2_X	Urban steam distribution systems in CO2	Tons of CO2	299,23
ENV05_02	Urban chilled water distribution systems	Kilowatt hour	130 170
ENV05_02_CO2	Urban chilled water distribution systems in CO2	Tons of CO2	1,3
ENV06	Electricity consumption	Kilowatt hour	54 967 381
ENV06_CO2	Electricity consumption in CO2	Tons of CO2	4 507,33
ENV07	Gas consumption	Kilowatt hour	6 499 932
ENV07_CO2	Gas consumption in CO2	Tons of CO2	1 520,98
ENV08	Fuel oil consumption	Liter	88 418,49
ENV09	Total paper consumption	Metric ton	460,5
ENV10	Total paper consumption for internal use	Metric ton	45,47
ENV10_CO2	Total paper consumption for internal use in CO2	Tons of CO2	41,79
ENV11	Total paper consumption for external use	Metric ton	415,03
ENV11_CO2	Total paper consumption for external use in CO2	Tons of CO2	381,41
ENV12L	% Certified paper/purchased paper	Percentage	49,23
ENV12R	% Recycled paper/purchased paper	Percentage	0,06
ENV13	Toner cartridge consumption	Whole number	3 202
ENV15	Used paper sent for recycling (waste)	Metric ton	644,8
ENV15L	Total certified paper purchased	Metric ton	226,71
ENV15R	Total recycled paper purchased	Metric ton	0,26
ENV16	Toner cartridges recycled after use	Whole number	4 840
ENV18	Business travel - plane	Kilometer	8 547 417
ENV18_CO2	Déplacement professionnel - avion en co2	Tons of CO2	1 390,44
ENV19	Business travel - train	Kilometer	7 481 630
ENV19_CO2	Business travel - train in CO2	Tons of CO2	834,36
ENV20	Entity's vehicle fleet - number of km all vehicles	Kilometer	20 051 900
ENV20_ESS_CO2	Entity's vehicle fleet - gasoline engine - CO2	Tons of CO2	6,08
ENV20_GAS_CO2	Entity's vehicle fleet - gas oil engine - CO2	Tons of CO2	2 225,33
ENV21	Entity's vehicle fleet - number of liters of gasoline consumed	Liter	1 958,36
ENV21CO2	Vehicle fleet gasoline - tons of co2	Tons of CO2	0
ENV22	Entity's vehicle fleet - number of liters of diesel fuel consumed	Liter	1 244 705,58
ENV22CO2	Vehicle fleet gas oil - tons of co2	Tons of CO2	0
ENV23	Business travel - employee car	Kilometer	454 056
ENV23_CO2	Business travel - employee car in CO2	Tons of CO2	113,97
ENV24	Business travel - public transport - bus-coach-subway-tram	Kilometer	197 859
ENV24_CO2	Business travel - public transport - bus-coach-subway-tram in CO2	Tons of CO2	33,04
ENV25	Business travel - taxi and rental car	Kilometer	555 511
ENV25_CO2	Business travel - taxi and rental car in CO2	Tons of CO2	91,24

ENV31	Number of videoconference systems	Whole number	81
ENV32	Number of videoconferences	Whole number	56 734
ENV33	Total length of videoconferences	Centesimal hour	71 874,94
ENV34	Scanned documents (paper avoided)	Metric ton	253,14
ENV44	Human resources dedicated to CSR	Full-Time Equivalent	5,91
GOUV01	Total number of members on the entity's board of directors (within the meaning of shareholder-owned company)	Whole number	57
GOUV02	Number of women on the entity's board of directors (within the meaning of shareholder-owned company)	Whole number	10
GOUV23	Subsidiary - average age of directors	Whole number	59
SOC01	Total number of employees	Private individual	3 924
SOC01_BIS	Number of employees at year-end	Private individual	3 981
SOC01_F201	Female management employees under permanent contracts in France	Private individual	681
SOC01_F202	Female non-management employees under permanent contracts in France	Private individual	252
SOC01_F203	Female management employees under short-term contracts in France	Private individual	3
SOC01_F204	Female non-management employees under short-term contracts in France	Private individual	22
SOC01_F205	Female employees outside France	Private individual	0
SOC01_H211	Male management employees under permanent contracts in France	Private individual	2 105
SOC01_H212	Male non-management employees under permanent contracts in France	Private individual	822
SOC01_H213	Male management employees under short-term contracts in France	Private individual	2
SOC01_H214	Male non-management employees under short-term contracts in France	Private individual	94
SOC01_H215	Male employees outside France	Private individual	0
SOC02	Total FTE permanent + short-term contract employees in France	Full-Time Equivalent	3 981
SOC03	Total permanent + short-term contract employees outside France	Private individual	0
SOC04	Total permanent + short-term contract management employees	Private individual	2 791
SOC05	Total permanent + short-term contract non-management employees	Private individual	1 190
SOC07	Number of female employees	Private individual	958
SOC08	Employees under permanent contracts	Private individual	3 860
SOC08_NCADRE	Non-management employees under permanent contracts	Whole number	1 074
SOC08BIS	Female employees under permanent contracts	Whole number	933
SOC09	Employees under short-term contracts	Private individual	121
SOC12	% of employees under permanent contracts	Percentage	96,96
SOC13	Total number of new hires	Private individual	476
SOC14	Men hired	Private individual	352
SOC15	Women hired	Private individual	124

SOC16	Hired under permanent contracts	Private individual	335
SOC17	Hired under short-term contracts	Private individual	134
SOC19	Number of employees under permanent contracts who left the organization	Private individual	166
SOC20	Number of employees under permanent contracts who were dismissed from the organization	Private individual	19
SOC25	Use of subcontracting via temporary workers in hours	Centesimal hour	68 187
SOC26	Use of subcontracting via temporary workers in FTE	Full-Time Equivalent	37,47
SOC27	Turnover (resignations + dismissals + end of trial period + contractual termination)/(number of employees)	Percentage	2,75
SOC28	Percentage of part-time vs. full-time	Percentage	4
SOC29	Number of full-time employees under permanent and short-term contracts (incl. full-time parental leave)	Private individual	3 833
SOC30	Number of part-time employees under permanent and short-term contracts and managers with reduced day-defined contract duration	Private individual	148
SOC31	% of full-time employees	Percentage	96
SOC32	% of part-time employees	Percentage	4
SOC36	Number of overtime hours worked	Centesimal hour	30 087
SOC38	Number of days of absence	Days worked	27 920
SOC39	Number of days of sick leave	Days worked	26 826
SOC40	Number of days of absence for work accidents	Days worked	1 094
SOC41	Number of days of maternity/paternity leave	Days worked	7 154
SOC43	Number of work-related illnesses	Whole number	1
SOC44	Number of reported workplace accidents with leave of absence	Whole number	51
SOC46	Payroll invested in training (payroll including employers' contributions invested in training in €)	Euro	6 829 932,86
SOC47	% of payroll invested in training	Percentage	4,06
SOC48	Number of employees who took at least one training course	Whole number	3 224
SOC49	% of employees trained	Percentage	80,98
SOC50	Total number of hours dedicated to employee training	Centesimal hour	98 919
SOC51	Average number of training days per employee trained	Days worked	40
SOC52	Number of work-study training courses	Whole number	90
SOC53	Number of work-study training courses with professional training contract	Whole number	34
SOC54	Number of work-study training courses with apprenticeship contract	Whole number	56
SOC55	Amount of apprenticeship tax paid	Euro	1 428 401
SOC57	Number of people on management committees	Whole number	41
SOC58	Number of women on management committees	Whole number	7
SOC59	Number of managers who are women	Whole number	684
SOC60	% of managers who are women	Percentage	25
SOC61	Number of managers promoted to higher positions during the year	Private individual	151
SOC62	Number of women managers promoted	Whole number	50

SOC63	% of women managers promoted	Percentage	33,11
SOC67	Number of convictions for interference with the proper functioning of the works council (in France)	Whole number	0
SOC68	Number of disabled workers in the total workforce	Whole number	71
SOC71	% of disabled workers in the total workforce	Percentage	1,78
SOC72	AGEFIPH or FIPHFP disabled workers contribution (6%)	Euro	711 046
SOC73	Gross payroll excluding employers' contributions (€)	Euro	168 165 236
SOC74	Average annual salary - permanent contracts all statuses	Euro	43 074,73
SOC75	Average annual salary - permanent contracts non-management all statuses	Euro	31 695,80
SOC76	Average annual salary - permanent contracts management all statuses	Euro	47 461,30
SOC78	Number of consultations of staff representatives (works council, workplace health and safety committee, employee representatives)	Whole number	277
SOC79	Number of staff representative information procedures (works council, workplace health and safety committee)	Whole number	436
SOC80	Total amount of social security contributions paid	Euro	96 908 545
SOC81	Total amount of bonuses (incentive bonuses + profit-sharing) (€ excluding employers' contributions)	Euro	21 362 328
SOC82	Number of employees who received an incentive bonus/profit-sharing	Whole number	3 871
SOC85	Benefit plans/works council - contribution to financing the works council (€)	Euro	2 034 057,24
SOC86	Contribution to financing the works council as % of gross payroll	Percentage	1
SOC88	Employees < 25 years	Private individual	147
SOC89	Women < 25 years	Private individual	25
SOC90	Employees 25 to 29 years	Private individual	436
SOC91	Women 25 to 29 years	Private individual	103
SOC92	Employees 30 to 34 years	Private individual	626
SOC93	Women 30 to 34 years	Private individual	149
SOC94	Employees 35 to 39 years	Private individual	633
SOC95	Women 35 to 39 years	Private individual	147
SOC96	Employees 40 to 44 years	Private individual	731
SOC97	Women 40 to 44 years	Private individual	194
SOC98	Employees 45 to 49 years	Private individual	522
SOC99	Women 45 to 49 years	Private individual	109
SOC100	Employees 50 to 54 years	Private individual	421
SOC101	Women 50 to 54 years	Private individual	126
SOC102	Employees 55 to 59 years	Private individual	355
SOC103	Women 55 to 59 years	Private individual	88
SOC104	Employees 60 years and over	Private individual	110
SOC105	Women 60 years and over	Private individual	17

SOC107	Total gross annual compensation (€) - permanent contracts	Euro	166 268 469
SOC108	Total gross annual compensation (€) - non-managers permanent contracts	Euro	34 041 287
SOC109	Total gross annual compensation (€) - managers permanent contracts	Euro	132 227 182
SUS031_X	% Recycled toner cartridges purchased	%	0

Specific report for the Technology division

As in 2016, this document covers various entities that work in IT. The scope has not changed and the main companies are:

- **Euro-Information Développements** which develops the Group's software;
- **Euro-Information Production** which is responsible for the Group's technical infrastructure and production;
- **Euro-Information Telecom** which is in charge of the Group's mobile phone services;
- **Euro Protection Surveillance** which provides remote surveillance services;
- **Euro-Information Services** which installs, maintains and replaces IT equipment (workstations, ATMs, telephones, etc.).

These entities, which may have different legal forms, are all controlled by Crédit Mutuel. They therefore apply the Group rules and procedures, particularly with regard to social and ethical issues and environmental responsibility.

Procurement

As a reminder, the suppliers procedure is one of the ISO 9001-certified quality processes monitored and audited by AFAQ (the last surveillance audit was in June 2016, the next renewal audit will be in June 2017). The procedure has been drafted and published and sets forth all the various stages of starting a business relationship, contracting and managing the relationship with the supplier.

As part of this procedure, suppliers are classified into categories, the main one being "essential and sensitive suppliers," i.e. suppliers of strategic or economic importance to Euro-Information or its customers. For requests for proposals and on a regular basis, the Procurement teams ask suppliers to supply documents proving they have a CSR policy and describing that policy. In 2016, only two entities in this category did not have a stated CSR approach because of their size, although they did provide information on their charitable giving and safety approaches. This procedure is applied for hardware/software purchases and for purchases of IT services from IT services suppliers. Updates are conducted on a regular basis.

Since 2013, CSR criteria relating to energy consumption are included in the examination of new versions of equipment (computers, printers, photocopying machines). We continue to roll out increasingly energy-efficient equipment. For example, the new Tiny desktop computer approved in 2016 has minimum consumption of 1.2 KWh and maximum consumption of 35 KWh (as a reminder, the Lenovo M93T, 2015 model, consumes 11-35 KWh). As roughly one-fifth of the equipment is renewed each year, this enables us to continue to reduce our energy consumption.

A sector-specific procurement policy is being drafted for the Group. It will be implemented in 2017 and will make it easier to understand CSR practices concerning procurement.

Hardware circuit

Euro-Information Services (EIS) installs and maintains computer equipment on behalf of Euro-Information.

In 2016, more than 10,000 person-days were spent replacing end-of-life products (printers, desktop computers, laptop computers, uninterruptible power supplies, ATMs, electronic payment terminals, etc.).

Nearly 122,000 defective products were worked on by the repair shop, 38,397 uninstalled products were refurbished and 32,450 were sent to our equipment broker in 2016.

In 2016, EIS began regular technical exchanges with the Group's call centers (SAM and STU) to receive precise diagnostics (through the introduction of a diagnostic assistance tree called “OAD”) and avoid unnecessary travel. To reduce its technicians' travel time, EIS also implemented a First-Time Resolution indicator, the aim of which is to resolve the problem on the first service call. As a result, the number of trips was down by 15,000 compared to 2011.

The broker activity continues to increase and allows the destruction of equipment to be kept at a minimum.

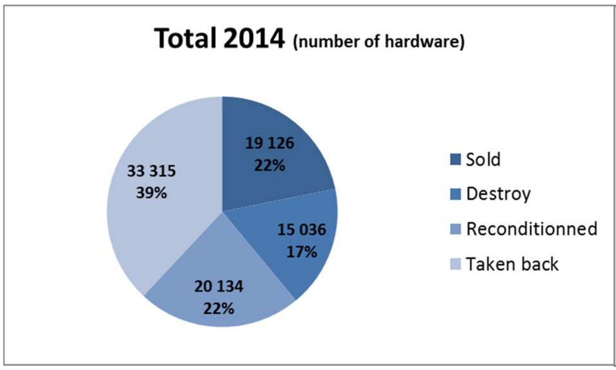
As a reminder, to monitor this activity and its growth, statistics were compiled in 2015 to keep track of what happens to equipment after a service call based on its situation at a given time. Equipment that is no longer being used is in one of the following four states:

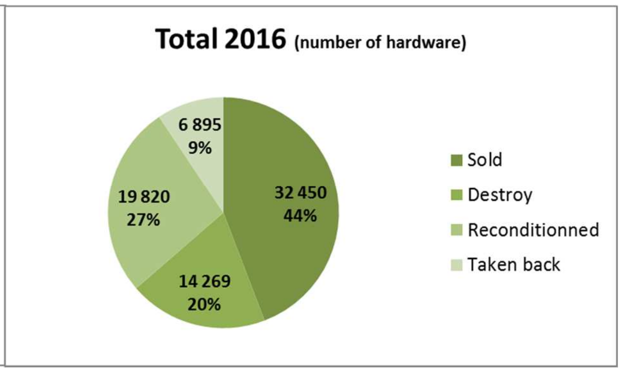
- picked up (original condition),
- refurbished (if repaired for return to the customer circuit),
- brokered (resold), or
- destroyed (if unable to be repaired or resold).

The goal is to reduce the time that the equipment is in the “pickup” state and, if necessary, send it as quickly as possible to the broker for reuse.

This analysis can be performed by product family and by federation starting in January 2014. This year we can therefore compare the last three years, see what will happen after two or three years and perform analyses by federation or product family.

Below are the results:

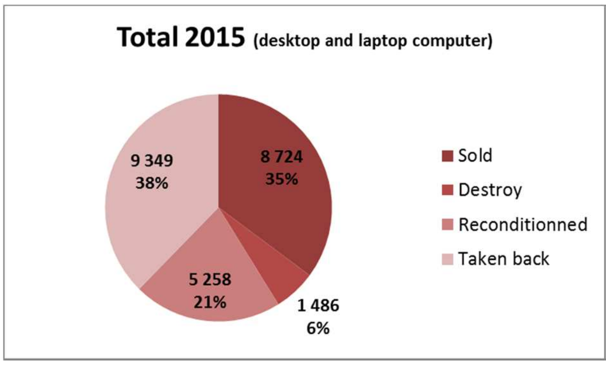


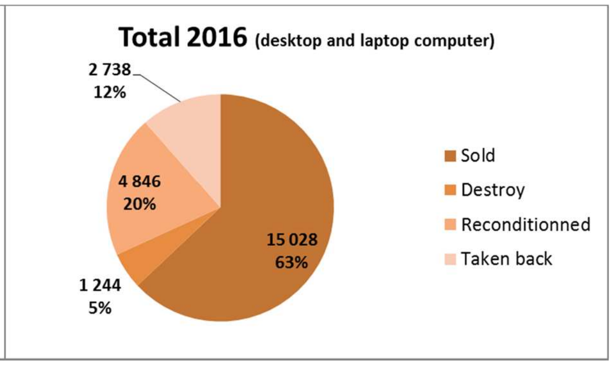


The entire process has improved significantly. For 2016 equipment, 44% of items have already been resold to the broker (compared with 22% in 2014) and only 9% are still in the “pickup” state.

The percentage of refurbished equipment also improved in 2016 to 27%, compared with 22% in 2014.

The results are also different, depending on the product family, but confirm the trend. For example, for the “desktop and laptop computers” category, after one year the broker rate was 63% instead of 35% and the volume of reused products remained virtually unchanged, with the “pickup” state decreasing from 38% to 12%.





Information Systems Security

Euro-Information processes sensitive banking data and provides numerous services requiring utmost attention to information systems security. Changes are made every year to adapt to new risks and strengthen our defenses.

All measures are therefore taken to secure the Group's information systems.

An information security management system (ISMS), based on ISO 27001, was implemented in 2016 at all our production sites, enabling Euro-Information to seek ISO 27001 certification in 2017.

The basic principles continue to be:

- availability: Provide a reliable system offering permanent access
- confidentiality: Securing access, processing and data
- integrity: Guarantee the reliability of the data
- proof: Ensure an audit trail as proof of actions in the system

Internet services are, for example, an area where security is paramount. Consequently, there is a complete separation between the Internet and Intranet environments. State-of-the-art protection is ensured through:

- a firewall
- application gateways (proxies)
- demilitarized zones (DMZs)
- WAFs (application firewalls)
- antivirus software
- Blue Coat filters
- intrusion detection systems (IDS) and intrusion prevention systems (IPS)
- hybrid denial of service protection solutions
- preservation of evidence, etc.

Highlights in 2016 included:

- the process of confirming remote banking transactions by sending a confirmation code via SMS has been made more secure with the rollout of "mobile confirmation," a solution that is set to replace the SMS solution and offer a higher level of security. The principle behind the “mobile confirmation” solution is as follows:
  - the customer’s smartphone is enrolled based on a combination of factors:
    - notification displayed on a secure application on the smartphone by OS providers (Apple, Google, Microsoft);
    - private storage space set aside and available on the smartphone;
    - the smartphone’s identification data.
  - confirmation of remote banking transactions on the smartphone after receiving a notification banner and inputting a security code
  - lastly, a real-time fraud detection engine provides alerts and allows users to take any necessary measures.

- repeated load testing for CM and CIC for several thousand simultaneous users to ensure the new website is able to handle increased loads, including the peak period at the beginning of the year.
- the launch of the project to expand the Lille data center with the target of implementing Tier 4-level security (Uptime Institute), the highest level of security for a data center with 99.995% uptime, corresponding to an average annual outage of 0.4 hour.

All the aspects of our security system have enabled us to obtain PCI-DSS level 1 (highest security level) certification for our CM-CIC P@iement and Monético Paiement point-of-sale payment solution each year since November 2007. This certification guarantees our customers quality of execution of this solution on our IT infrastructure for storing, processing and transmitting payment card data.

<u>Strongly involved in past and future concrete actions</u>

Euro-Information subsidiaries are involved in numerous initiatives with a direct impact on the Group's environmental approach. The main ones are:

- *Reduction in the number of IT production centers:*

  Euro-Information has reduced the number of production centers housing central IT resources, from five sites in 2006 to three sites plus the back-up site in 2014. Moving towards its target of two centers plus a back-up site will not only reduce electricity consumption at constant scope, it will also reduce the amount of greenhouse gases produced by cooling systems by reducing the number of clean-rooms. In 2016, the plan to transfer equipment from the Paris center to the Lille center was completed and there are now only two central sites plus the back-up site.

- *Development of IT centers using best environmental practices in the market:*

  The development of the Group requires ongoing IT developments and thus continual changes in processing and storage capacity. Euro-Information plans to expand its Lille site with the construction of a new room that will use free cooling (a technique where the cooling method adjusts to outside temperatures) which, in the Lille region, represents 3,800,000 KWh in savings for a load of 1,000w/m2 (or about €280,000 per year) and containment (a technique that eliminates hot spots by better separating the chassis and creating cold aisles).

  Making these changes should enable us to achieve a PUE (Power Usage Effectiveness) of less than 1.6 for this new room.

- *Putting in place video-conference systems to reduce business travel:*

  Several years ago Euro-Information decided to carry out a unified communications project to make it possible to hold meetings with people in different regions and countries by video-conference so they do not have to travel.

  In 2016, we began to roll out Skype for business, which is replacing Lync 2013, and to switch the rooms to Polycom equipment. We are now rolling out:

  - Virtual training classes
  - Video-conferences with the head offices to provide the necessary expertise on certain topics
  - Virtual meetings with customers

  In 2016, more than 4,200 speakerphones and 3,600 cameras were ordered. The banks were consulted to determine how much equipment they needed and who should have it (on average one speakerphone kit and one webcam for every eight desktops). This affected 3,300 points of sale (70%).

  The process of equipping the workstations will continue in 2017 and the banks were given the following guidelines:

- Ensure all CCM/branch network points of sale have at least one kit in 2017
- Supplement and double the amount of equipment with one kit for every four desktops for the CCM/branches that have already been equipped.

The use of Skype Enterprise for business will also be expanded in the first quarter of 2017 and 400 more video-conference rooms will be added (there are currently about 500).

- *Reduction of paper consumption:*

The main paper reduction projects in 2016 were the implementation of electronic signatures in the local cooperative banks and branches and the increasing use of web- or smartphone-based solutions.

To roll out electronic signature to the entire network, all local cooperative banks and branches are gradually being equipped with touchscreen tablets and a Wi-Fi network. More than 14,000 tablets were installed at end-2016 and 166,000 contracts were signed using these new tools in the last five to six months of the year.

This rollout also has an impact on energy consumption (Scope 3) as paper documents no longer have to be moved anywhere to be digitized.

Smartphone and web solutions include electronic auto or property and casualty claims reporting over the web or by smartphone and electronic medical approval which gives customers a personal area where they can manage their medical paperwork online.

Another step in the implementation of Group-wide electronic pay slips was completed in 2016 as the electronic model was set as the default in the first half of the year. At end-2016, 85% of the Group's employees were receiving their pay slips electronically (91% in the Euro-Information subsidiaries).

The percentage of the Group's internal use only documents still in hard copy format stood at 0.94% at the end of 2016.

- *Automatic computer shutdown:*

As a reminder, computers throughout the network that have such capability are turned off automatically in the evening and turned on automatically in the morning. This action is monitored with the aim of reaching 100% of computers and the energy savings are measured. At the end of 2016, only 0.2% of computers at the branches could not be turned off.

We began to expand this project to the Group's head offices in France at the end of 2016. The head offices in Germany already have automatic shutdown. The aim is to implement this system in the coming years with estimated annual savings of 4,252,510 KWh. Two head offices in France were in the testing phase at the end of December.

- *New mainframes:*

As it does for electronic office equipment, Euro-Information regularly upgrades its central servers, particularly its IBM mainframes. The policy is also based on cascading, which involves removing the oldest machine each time. The rollout of the new Z13 mainframes to all the sites began in 2015 and was completed in 2016. This machine has a 30% performance improvement over the Z12 (previous series installed at EI) using the same amount of energy.

- *MFP printing (multifunction printers can print, copy, scan, fax, etc.) from virtual mailboxes:*

This is a new approach to printing (the print job remains in the network printer's memory until the user releases it) which saves paper by not printing jobs for people who do not collect them, or jobs that are larger than expected and that the user can stop in progress.

This works using a Watchdoc tool which also takes a statistical approach to printing to help optimize the resources required. Pilot programs began at the end of 2016 and the target is a gradual rollout starting in 2017.

- *Optimization of energy efficiency in the real estate approach*

In the wake of the energy audits finalized in mid-2016, a plan will be implemented over the next few years to reduce electricity and gas consumption at the Group's sites.

Euro-Information is also incorporating an energy-savings approach into its real estate projects as all employees of Euro-Information Développement based in Strasbourg and the surrounding area will work together under one roof in the “Wacken 2” building by 2019/2020. This building will be constructed in compliance with all new energy standards and will obtain two environmental certifications:

- “Excellent” HQE NF rating from Certivea in the “Services” category
- “Very good” rating from BREEAM

The building’s target energy efficiency is set at BEPOS “ready,” meaning it is able to produce more energy than it consumes.

This team consolidation approach is also being implemented at other sites. In Nantes, the EID teams are now all at one site. Euro-Information used this opportunity to simultaneously implement the second phase of its company travel plan (the first phase was in 2012). For example, 34 new employees signed the charter committing to not use their car as their primary means of transport (80% public transport).

- *Change in the CSR reporting tool: Change in the management of the reporting scope and continued automation of the data integration interfaces.*

VII.6 CSR report – Press division

Quantitative data :

Code indicateur	Libellé indicateur	Unité d'expression	Données à fin 2016
ENV01P	NEWSPAPER PAPER	Metric ton	69 494
ENV02P	OF WHICH, CERTIFIED PAPER	Metric ton	34 316
ENV03P	ALUMINUM PRINTING PLATES	Metric ton	360,87
ENV04	WATER CONSUMPTION	Cubic meter	39 165,55
ENV04P	INK FOR NEWSPAPERS AND FORMS	Metric ton	946,63
ENV05	TOTAL ENERGY CONSUMPTION	Kilowatt hour	59 583 711
ENV05_01	URBAN STEAM DISTRIBUTION SYSTEMS	Kilowatt hour	250 422
ENV05_01_CO2_X	URBAN STEAM DISTRIBUTION SYSTEMS IN CO2	Tons of CO2	50,08
ENV05_02	URBAN CHILLED WATER DISTRIBUTION SYSTEMS	Kilowatt hour	97 399
ENV05_02_CO2	URBAN CHILLED WATER DISTRIBUTION SYSTEMS IN CO2	Tons of CO2	0,97
ENV05P	PACKAGING	Metric ton	251,97
ENV06	ELECTRICITY CONSUMPTION	Kilowatt hour	334 485 330
ENV06_CO2	ELECTRICITY CONSUMPTION IN CO2	Tons of CO2	2 742,78
ENV06P	WASTE - STARTS & ENDS OF REEL	Metric ton	1 898,71
ENV07	GAS CONSUMPTION	Kilowatt hour	25 510 631
ENV07_CO2	GAS CONSUMPTION IN CO2	Tons of CO2	5 969,49
ENV07P	WASTE - SCRAPS FROM ROTARY PRESSES	Metric ton	4 704,94
ENV08	FUEL OIL CONSUMPTION	Liter	27 589,85
ENV08P	WASTE - RETURNED FORMS	Metric ton	6 254,81
ENV09	TOTAL PAPER CONSUMPTION	Metric ton	145,64
ENV09P	WASTE - INSERTS	Metric ton	651,67
ENV10	TOTAL PAPER CONSUMPTION FOR INTERNAL USE	Metric ton	104,06
ENV10_CO2	TOTAL PAPER CONSUMPTION FOR INTERNAL USE IN CO2	Tons of CO2	95,63
ENV11	TOTAL PAPER CONSUMPTION FOR EXTERNAL USE	Metric ton	41,58
ENV11_CO2	TOTAL PAPER CONSUMPTION FOR EXTERNAL USE IN CO2	Tons of CO2	38,21
ENV12L	% CERTIFIED PAPER/PURCHASED PAPER	Percentage	67,15
ENV12R	% RECYCLED PAPER/PURCHASED PAPER	%	0
ENV13	TONER CARTRIDGE CONSUMPTION	Whole number	2 387
ENV15	USED PAPER SENT FOR RECYCLING (WASTE)	Metric ton	0,4
ENV15L	TOTAL CERTIFIED PAPER PURCHASED	Metric ton	97,8
ENV15RP	NEWSPAPER PAPER OF RECYCLED ORIGIN	Metric ton	54 186,16
ENV16	Used Recycled Toner Cartridges	Whole number	17
ENV18	BUSINESS TRAVEL – PLANE	Kilometer	243 158
ENV18_CO2	BUSINESS TRAVEL – PLANE IN CO2	Tons of CO2	72,29
ENV19	BUSINESS TRAVEL – TRAIN	Kilometer	1 153 184
ENV19_CO2	BUSINESS TRAVEL – TRAIN IN CO2	Tons of CO2	14,16
ENV20	Entity's vehicle fleet - number of km all vehicles	Kilometer	18 317 228
ENV20_ESS_CO2	Entity's vehicle fleet - gasoline engine - CO2	Tons of CO2	3,3
ENV20_GAS_CO2	Entity's vehicle fleet - gas oil engine - CO2	Tons of CO2	3 893,82

ENV21CO2	Vehicle fleet gasoline - tons of co2	Tons of CO2	0
ENV22CO2	Vehicle fleet gas oil - tons of co2	Tons of CO2	0
ENV23	BUSINESS TRAVEL – EMPLOYEE CAR	Kilometer	3 627 753
ENV23_CO2	BUSINESS TRAVEL – EMPLOYEE CAR IN CO2	Tons of CO2	910,57
ENV25	BUSINESS TRAVEL – TAXI AND RENTAL CAR	Kilometer	1 389 073
ENV25_CO2	BUSINESS TRAVEL – TAXI AND RENTAL CAR IN CO2	Tons of CO2	348,66
ENV29P	TRANSALLIANCE TRANSPORT	Metric ton	57 755,25
ENV30	FUGITIVE EMISSIONS OF REFRIGERANT GASES	Kilogram	73,08
ENV30_CO2	FUGITIVE EMISSIONS OF REFRIGERANT GASES IN CO2	Tons of CO2	120,27
ENV30P	LA POSTE TRANSPORT	Metric ton	1 830,99
ENV31	NUMBER OF VIDEOCONFERENCE SYSTEMS	Whole number	10
ENV32	NUMBER OF VIDEOCONFERENCES	Whole number	190
ENV33	TOTAL LENGTH OF VIDEOCONFERENCES	Centesimal hour	409,06
ENV34	SCANNED DOCUMENTS (PAPER AVOIDED)	Metric ton	71,75
ENV44	HUMAN RESOURCES DEDICATED TO CSR	Full-Time Equivalent	0,6
GOUV01	TOTAL NUMBER OF MEMBERS ON THE ENTITY'S BOARD OF DIRECTORS (WITHIN THE MEANING OF SHAREHOLDER-OWNED COMPANY)	Whole number	69
GOUV02	NUMBER OF WOMEN ON THE ENTITY'S BOARD OF DIRECTORS (WITHIN THE MEANING OF SHAREHOLDER-OWNED COMPANY)	Whole number	5
GOUV23	SUBSIDIARY - AVERAGE AGE OF DIRECTORS	Whole number	61
SOC01	TOTAL NUMBER OF EMPLOYEES	Private individual	4 620
SOC01_BIS	NUMBER OF EMPLOYEES AT YEAR-END	Private individual	6 669
SOC01_F201	FEMALE MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	833
SOC01_F202	FEMALE NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	2 140
SOC01_F203	FEMALE MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	Private individual	38
SOC01_F204	FEMALE NON-MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	Private individual	138
SOC01_H211	MALE MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	1 288
SOC01_H212	MALE NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	2 040
SOC01_H213	MALE MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	Private individual	49
SOC01_H214	MALE NON-MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	Private individual	143
SOC02	TOTAL HEADCOUNT - PERMANENT AND SHORT-TERM CONTRACTS FRANCE FTE	Full-Time Equivalent	6 669
SOC04	TOTAL MANAGEMENT EMPLOYEES - PERMANENT AND SHORT-TERM CONTRACTS	Private individual	2 208
SOC05	TOTAL NON-MANAGEMENT EMPLOYEES - PERMANENT AND SHORT-TERM CONTRACTS	Private individual	4 461
SOC07	NUMBER OF FEMALE EMPLOYEES	Private individual	3 149

SOC08	EMPLOYEES UNDER PERMANENT CONTRACTS	Private individual	6 301
SOC08_NCADRE	NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS	Whole number	4 180
SOC08BIS	FEMALE EMPLOYEES UNDER PERMANENT CONTRACTS	Whole number	2 973
SOC09	EMPLOYEES UNDER SHORT-TERM CONTRACTS	Private individual	368
SOC12	% OF EMPLOYEES UNDER PERMANENT CONTRACTS	Percentage	94,48
SOC13	TOTAL NUMBER OF NEW HIRES	Private individual	4 198
SOC14	MEN HIRED	Private individual	2 345
SOC15	WOMEN HIRED	Private individual	1 853
SOC16	HIRED UNDER PERMANENT CONTRACTS	Private individual	530
SOC19	NUMBER OF EMPLOYEES UNDER PERMANENT CONTRACTS WHO LEFT THE ORGANIZATION	Private individual	742
SOC20	NUMBER OF EMPLOYEES UNDER PERMANENT CONTRACTS WHO WERE DISMISSED FROM THE ORGANIZATION	Private individual	145
SOC27	TURNOVER (RESIGNATIONS + DISMISSALS + END OF TRIAL PERIOD + CONTRACTUAL TERMINATION)/(NUMBER OF EMPLOYEES)	Percentage	0
SOC28	PERCENTAGE OF PART-TIME VS. FULL-TIME	Percentage	105
SOC29	NUMBER OF FULL-TIME EMPLOYEES UNDER PERMANENT AND SHORT-TERM CONTRACTS (INCL. FULL-TIME PARENTAL LEAVE)	Private individual	3 259
SOC30	NUMBER OF PART-TIME EMPLOYEES UNDER PERMANENT AND SHORT-TERM CONTRACTS AND MANAGERS WITH REDUCED DAY-DEFINED CONTRACT DURATION	Private individual	3 410
SOC31	% OF FULL-TIME EMPLOYEES	Percentage	49
SOC32	% OF PART-TIME EMPLOYEES	Percentage	51
SOC38	NUMBER OF DAYS OF ABSENCE	Days worked	87 536
SOC39	NUMBER OF DAYS OF SICK LEAVE	Days worked	82 278
SOC40	NUMBER OF DAYS OF ABSENCE FOR WORK ACCIDENTS	Days worked	5 258
SOC43	NUMBER OF WORK-RELATED ILLNESSES	Whole number	6
SOC44	NUMBER OF REPORTED WORKPLACE ACCIDENTS, WITH SICK LEAVE	Whole number	110
SOC46	PAYROLL INVESTED IN TRAINING (€)	Euro	1 385 167,72
SOC47	% OF PAYROLL COSTS INVESTED IN TRAINING	Percentage	0,74
SOC48	NUMBER OF EMPLOYEES HAVING TAKEN AT LEAST ONE TRAINING COURSE	Whole number	2 187
SOC49	% OF EMPLOYEES TRAINED	Percentage	32,79
SOC50	NUMBER OF HOURS DEDICATED TO EMPLOYEE TRAINING	Centesimal hour	32 195
SOC51	AVERAGE NUMBER OF TRAINING DAYS PER EMPLOYEE TRAINED	Days worked	2
SOC59	NUMBER OF MANAGERS WHO ARE WOMEN	Whole number	871
SOC60	% OF MANAGERIAL STAFF WHO ARE WOMEN	Percentage	39

SOC61	NUMBER OF MANAGERS PROMOTED TO HIGHER POSITIONS DURING THE YEAR (NO. OF EMPLOYEES)	Private individual	99
SOC62	NUMBER OF WOMEN MANAGERS PROMOTED	Whole number	55
SOC63	% OF WOMEN MANAGERS PROMOTED	Percentage	55,56
SOC68	NUMBER OF DISABLED WORKERS IN THE TOTAL WORKFORCE	Whole number	168
SOC71	% OF DISABLED WORKERS IN THE TOTAL WORKFORCE	Percentage	2,52
SOC73	GROSS PAYROLL EXCLUDING EMPLOYERS' CONTRIBUTIONS (€)	Euro	187 362 094,90
SOC74	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS ALL STATUSES	Euro	28 588,20
SOC75	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS NON-MANAGEMENT ALL STATUSES	Euro	15 334,80
SOC76	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS MANAGEMENT ALL STATUSES	Euro	54 707,56
SOC78	NUMBER OF CONSULTATIONS OF STAFF REPRESENTATIVES (WORKS COUNCIL, WORKPLACE HEALTH AND SAFETY COMMITTEE, EMPLOYEE REPRESENTATIVES)	Whole number	218
SOC79	NUMBER OF STAFF REPRESENTATIVE INFORMATION PROCEDURES (WORKS COUNCIL, WORKPLACE HEALTH AND SAFETY COMMITTEE)	Whole number	83
SOC80	TOTAL AMOUNT OF SOCIAL SECURITY CONTRIBUTIONS PAID	Euro	74 598 269,26
SOC86	CONTRIBUTION TO FINANCING THE WORKS COUNCIL AS % OF GROSS PAYROLL	Percentage	0
SOC88	EMPLOYEES < 25 YEARS	Private individual	120
SOC89	WOMEN < 25 YEARS	Private individual	53
SOC90	EMPLOYEES 25 TO 29 YEARS	Private individual	222
SOC91	WOMEN 25 TO 29 YEARS	Private individual	118
SOC92	EMPLOYEES 30 TO 34 YEARS	Private individual	370
SOC93	WOMEN 30 TO 34 YEARS	Private individual	188
SOC94	EMPLOYEES 35 TO 39 YEARS	Private individual	505
SOC95	WOMEN 35 TO 39 YEARS	Private individual	251
SOC96	EMPLOYEES 40 TO 44 YEARS	Private individual	702
SOC97	WOMEN 40 TO 44 YEARS	Private individual	349
SOC98	EMPLOYEES 45 TO 49 YEARS	Private individual	940
SOC99	OF WHICH, WOMEN 45 TO 49 YEARS	Private individual	437
SOC100	EMPLOYEES 50 TO 54 YEARS	Private individual	1 111
SOC101	WOMEN 50 TO 54 YEARS	Private individual	539
SOC102	EMPLOYEES 55 TO 59 YEARS	Private individual	1 249
SOC103	WOMEN 55 TO 59 YEARS	Private individual	630
SOC104	EMPLOYEES 60 YEARS AND OVER	Private individual	1 082
SOC105	WOMEN 60 YEARS AND OVER	Private individual	408
SOC107	TOTAL GROSS ANNUAL COMPENSATION (€) - PERMANENT CONTRACTS	Euro	180 134 224,40

SOC108	TOTAL GROSS ANNUAL COMPENSATION (€) - NON-MANAGERS PERMANENT CONTRACTS	Euro	64099480,12
SOC109	TOTAL GROSS ANNUAL COMPENSATION (€) - MANAGERS PERMANENT CONTRACTS	Euro	116 034 744,30
SUS031_X	% Recycled toner cartridges purchased	Pourcentage taux	0

Specific report for the Press division

Crédit Mutuel's Press division comprises around 30 companies, including eight publishing companies that publish nine regional and local daily newspapers and two publishing companies that publish three regional weeklies, representing news coverage of more than 24 *départements* in Eastern France, a circulation of 1 million newspapers a day and nearly 7,200 employees.

All these entities, which may have different legal forms, are controlled directly or indirectly by Banque Fédérative du Crédit Mutuel, a Crédit Mutuel-CM11 Group subsidiary.

Like the rest of the Group, they constantly seek to improve their rules and procedures particularly in terms of social and environmental responsibility and ethics.

Employment profile

The socio-professional categories at the press companies are journalists (1/3 of the press companies' workforce), employees, workers (or technicians depending on the entity) and managers (administrative or technical).

Most of the contracts are permanent. Fixed-term contracts and temporary staff are also used.

Unlike the other companies, the delivery companies (APDNA and Mediaportage) and the distribution company (Distripub) mainly employ part-time workers. Their activity involves delivering the newspaper in the morning, and the workday is therefore less than seven hours. For these entities, the proportion of part-time workers relative to the total workforce is more than 97%.

Health and safety at work (SOC45)

A number of measures have been taken within the companies' various departments to ensure the full protection of their employees.

For example, newspaper delivery staff and sales staff receive training in the prevention of risks related to dog attacks and traffic accidents.

In the production departments, employees are provided with appropriate equipment, for example, molded hearing protectors, protective masks for staff exposed to hazardous chemical fumes, reinforced work clothes for joint protection, etc. Employees are also informed about chemical risks.

Moreover, to further enhance employee safety some entities have chosen to increase the number of traffic signs and signs reminding employees to wear individual protective gear.

More generally and for all their employees, the companies have pursued their efforts in areas such as psychosocial risk prevention (management training for managers, stress management courses for employees who deal with difficult customers, etc.), awareness of work-related risks (musculoskeletal disorders, computer work, movements and posture for production jobs, arduous work, etc.), safety improvement (fire, certification, etc.) and infrastructure and equipment maintenance (for example, by renovating premises by installing additional railings after adding certain production equipment).

Several companies have gone one step further and set up a counseling hotline.

Training (SOC203)

In addition to training related to health and safety at work, other types of courses are offered, particularly in the area of "job development." The goal is to ensure in-depth knowledge of every aspect of the position. The companies provide training in three areas:

- Adaptation to the position and job-specific expertise by offering appropriate training in the techniques and tools necessary to complete the requested tasks.

- Changes in jobs, skills enhancement and development through participation in the company's general development and broadening of the employee's field of expertise by making an objective assessment based on the technological developments facing companies (better adaptation to the production facility and to new software and applications, greater versatility, retraining, etc.).
- Support for employees through training courses that enhance their well-being at work by developing appropriate attitudes and behaviors, such as through training in management principles for management personnel and occupational risk prevention (see health and safety at work).

Equal opportunity (SOC56 – SOC83 – SOC202)

Each press company develops its own equal opportunity initiatives.

In addition to signing agreements, the companies also take other actions on gender equality such as a planned internal poster campaign intended to address gender discrimination.

Access to employment for disabled workers is facilitated through:

- suitably adapted workstations and equipment;
- training to heighten staff awareness of the difficulties encountered by disabled workers;
- recruitment of disabled job seekers. This work is carried out in partnership with the French agency for employment of disabled people (AGEFIPH) and other support bodies and sheltered workshops (Sameth, ESAT, CAT, etc.) and in some cases with recruitment agencies, etc.

All of these actions fall within the more general scope of the legal requirements to which these companies are subject, in particular as part of their labor relations (mandatory annual negotiations, publication of documents on the Intranet (economic and social database), “health-care costs” agreement, etc.).

Employment Protection Plan (SOC22)

Two entities in the Press division, the Progrès group and Est Bourgogne Média (EBM), were the subject of an employment protection plan. This plan is warranted by the obsolescence of EBM's printing shop and the inadequate use of that of Progrès. Progrès, which has recorded a structural operating loss, has therefore been given the opportunity to print the titles published by Est Bourgogne Média: Le Journal de Saone et Loire and Le Bien Public, thereby allowing EBM to focus on developing its readership and advertising services.

The employment protection plan began in June 2015 and ended in March 2016. For EBM, it has led to 40 voluntary resignations, 30 transfers to Progrès and 22 dismissals for economic reasons. Progrès has had 26 departures.

Raw materials (ENV202 – ENV203)

Paper, ink and printing plates are the essential raw materials for a newspaper. They are therefore very strictly managed, both in terms of quality and of consumption.

Therefore, paper suppliers must show that they have at least one environmental label or certification (PEFC, FSC or Ecolabel). More than 90%, i.e. around 64,000 metric tons in 2015, of the newspaper paper purchased is recycled paper.

Reducing macules and waste helps to reduce paper consumption, a reduction of 1% in paper waste corresponds to around 100 metric tons of paper savings. To do so, various processes have been developed (purchases of newer equipment to reduce the risk of untimely shutdowns, new adhesive for gluing the reels, automated control of cut-off registers, etc.).

In addition, all paper scraps (blank paper, etc.) and unsold newspapers are sold to recycling and waste reclamation companies (Group contract with Veolia).

With regard to printing plates, the companies achieve savings at two levels:

- they save water and electricity by using special plates (Kodak platinum plates) or by improving the dampening water system, thereby reducing emptying frequency;
- they produce less waste by modifying the CTP (plate printing) lines or by blocking output from unauthorized plates.

Lastly, with regard to inks and other chemicals, the newspapers look for products that are less dangerous for people and the environment and optimize the solvent doses used (dosing pump). These products are also analyzed and compared with the safety information issued by the occupational health department. At some newspapers, bacteriological reports and water analyses are sent periodically to the regional directorate of industry, research and the environment.

Buildings (ENV410 – SOT81)

Also with a view to saving energy, most of the newspapers have upgraded or improved their infrastructure to reduce consumption. The main work entailed modernizing the lighting system, such as by installing low-energy LED bulbs, changing the boilers (opting for heat pumps, condensing boilers or low-temperature gas boilers), replacing the refrigerant in R22 air conditioners with an R415 solution, and changing the windows.

The Dauphiné Libéré newspaper went even further by forming a partnership with Dalkia to improve its energy performance which included several initiatives such as installing electric sub-meters and automatically turning off heating and air conditioning in the offices when the buildings are not occupied.

The other companies, also in partnership with Dalkia and through the use of energy savings certificates, are making the same types of improvements. Alsace has updated its boiler equipment at no cost due, first, to Dalkia and the energy savings certificate and, second, to energy savings on consumption.

Est Républicain received financial assistance as part of the energy savings certificate valuation for its efforts to manage energy by insulating the walls at the head office.

All the entities worked with APAVE on their energy audits to fully and clearly meet their legal requirements.

Promoting environmental awareness among employees and third parties (ENV43)

Like the Group's other companies, the Press companies use various means of communication to promote awareness of the environment among technical and administrative employees (intranet, newsletters, information from the workplace health and safety committee).

More specifically, Dauphiné Libéré, through its partnership with Dalkia, has installed screens at each entrance to the head office. In addition to displaying environmental awareness messages, this allows all employees to get involved in energy savings.

Concrete steps also include setting up a waste sorting system at the offices.

Lastly, nearly all the newspapers have adopted the Imprim'Vert label whose purpose is to promote concrete measures to reduce the environmental impact of printing businesses.

This has prompted implementation of recycling for all products used (paper, ink, dampening solution, printing plates, etc.), secure methods for storing hazardous liquids, heightened environmental awareness among employees and customers, etc.

Relations with stakeholders (SOT48 – SOT200 - SOT400 – SOT410 – SOC400 – ENV400)

The Press companies are in constant contact with stakeholders:

- At the editorial level: the newspapers' editorial offices have contact with all types of establishments and associations in order to cover regional and local events.
- At the partnership level: most of the companies maintain relationships with several organizations, such as educational institutions for the management of trainees, occupational integration associations for the recruitment of disabled workers or purchases of equipment or services from employment rehabilitation centers, etc.

To develop their image and their foothold in the regions, the newspapers increase their coverage through event partnerships in a variety of areas:

- Environment: Sustainable development evening at the Rhône-Alpes agriculture and agri-food institute (ISARA) in Lyon, an annual meeting that brings together institutions, companies and other stakeholders in the Rhône-Alpes region whose primary focus is sustainable development;

- Economy: Trophée des femmes LCL – L'Est Républicain (women's award); "Les Ailes de Cristal" award; Trophée des entreprises de Franche-Comté (company award);
- Sports: DNA Road Runner race; Les Mulhousiennes race, partnerships with sports clubs or for specific events;
- Culture: Colmar International Music Festival, Musica, Unterlinden Museum in Colmar, Comédie de l'Est theater institute in Colmar, Colmar Film Festival, Opéra National du Rhin, La Filature, etc.;
- Education: Journaliste d'un jour (journalist for a day) with 1,300 Alsatian high school students (in partnership with the Regional Council) and Journal d'un collège (junior high school newspaper) with 700 Haut-Rhin junior high school students (in partnership with the Haut-Rhin Departmental Council).

The Press division also has two associations, Noël pour Tous (Christmas for All) and Noël de Joie (Christmas of Joy). Their main objective is to provide assistance to the most disadvantaged through various initiatives (financing of projects such as guide dog schools for the blind, parents' center at the Nancy-Brabois university hospital, construction of the European myelin research center with ELA in Laxou).

Satisfaction and service quality (SOC87)

Our companies focus on measuring satisfaction and service quality both internally and externally.

Internally, one-on-one interviews, monthly reports and EVREST occupational health trends and relations questionnaires provided by the workplace physician are some of the ways in which the companies measure employees' well-being.

In terms of our external relations, the DNA newspaper, for example, has developed a way of determining readers' satisfaction with service quality and the newspaper's content. This involves online surveys being conducted once a year among randomly chosen subscribers (a home delivery satisfaction survey among 935 responding subscribers, a Monday newspaper satisfaction survey among 429 responding subscribers, a DNA newspaper satisfaction survey among 642 responding subscribers, and a summer newspaper satisfaction survey regarding the specific July and August sections among 392 responding subscribers).

VII.7 Annex – List of the entities of the scope

ACM GIE
ACM IARD
ACM RE
ACM SERVICES
ACM VIE MUTUELLE
ACM VIE SA
AFFICHES D'ALSACE LORRAINE
AGRUPACIO AMCI D'ASSEGURANCES I REASSEGURANCES
AGRUPACIO SERVEIS ADMINISTRATIUS
AGRUPACION PENSIONES, ENTIDAD GESTORA DE FONDOS DE PENSIONES
ALSACIENNE DE PORTAGE DES DNA
AMDIF
AMGEN SEGUROS GENERALES COMPAÑIA DE SEGUROS Y REASEGUROS
AMSYR
ASESORAMIENTO EN SEGUROS Y PREVISION ATLANTIS
ASISTENCIA AVANCADA BARCELONA
ATLANTIS ASESORES
ATLANTIS CORREDURIA DE SEGUROS Y CONSULTORIA ACTUARIAL
ATLANTIS VIDA, COMPAÑIA DE SEGUROS Y REASEGUROS
BANQUE EUROPEENNE DU CREDIT MUTUEL (BECM MONACO)
BANQUE EUROPEENNE DU CREDIT MUTUEL (BECM)
BANQUE FEDERATIVE DU CREDIT MUTUEL (BFCM)
BANQUE TRANSATLANTIQUE (BT)
BECM FRANCFORT
BECM SAINT MARTIN
CAISSE FEDERALE DE CREDIT MUTUEL
CAISSE REGIONALE CMA
CAISSE REGIONALE CMC
CAISSE REGIONALE CMDV
CAISSE REGIONALE CMIDF
CAISSE REGIONALE CMLACO
CAISSE REGIONALE CMM
CAISSE REGIONALE CMMA
CAISSE REGIONALE CMN
CAISSE REGIONALE CMSE
CAISSE REGIONALE CMSMB
CAISSES CMA
CAISSES CMC
CAISSES CMCEE
CAISSES CMDV
CAISSES CMIDF
CAISSES CMLACO
CAISSES CMM
CAISSES CMMA
CAISSES CMN
CAISSES CMSE
CAISSES CMSMB
CARTES ET CREDITS A LA CONSOMMATION
CIC EST
CIC IBERBANCO
CIC LYONNAISE DE BANQUE
CIC NORD OUEST
CIC OUEST
CIC SUD OUEST
CM AKQUISITIONS
CM-CIC ASSET MANAGEMENT
CM-CIC BAIL
CM-CIC BAIL Espagne
CM-CIC CAPITAL ET PARTICIPATIONS
CM-CIC CONSEIL
CM-CIC EPARGNE SALARIALE
CM-CIC FACTOR
CM-CIC GESTION
CM-CIC HOME LOAN SFH
CM-CIC IMMOBILIER
CM-CIC INNOVATION
CM-CIC INVESTISSEMENT
CM-CIC INVESTISSEMENT SCR
CM-CIC LEASE
CM-CIC LEASING SOLUTIONS SAS
CM-CIC PROXIMITE
CM-CIC SERVICES
COFACREDIT
COFIDIS BELGIQUE
COFIDIS Espagne
COFIDIS FRANCE
COFIDIS HONGRIE
COFIDIS ITALIE
COFIDIS PARTICIPATIONS
COFIDIS Portugal
COFIDIS REPUBLIQUE TCHEQUE
COFIDIS SA POLOGNE
COFIDIS SA SLOVAQUIE
COFIDIS SLOVAQUIE
CREATIS
CREDIT INDUSTRIEL ET COMMERCIAL
DISTRIPUB
DOCUMENTS AP
DUBLY-DOUILHET GESTION
EI TELECOM
EIP
EST BOURGOGNE MEDIAS
EURO PROTECTION SURVEILLANCE
EURO-INFORMATION
EURO-INFORMATION DEVELOPPEMENT
FACTOFRANCE
FEDERATION CMA
FEDERATION CMC
FEDERATION CMCEE
FEDERATION CMDV
FEDERATION CMIDF
FEDERATION CMLACO

FEDERATION CMM
FEDERATION CMMA
FEDERATION CMN
FEDERATION CMSE
FEDERATION CMSMB
FIVORY
FIVORY SAS
GACM ESPAÑA
GEIE SYNERGIE
GRLI
GROUPE DAUPHINE MEDIA
GROUPE DES ASSURANCES DU CREDIT MUTUEL (GACM)
GROUPE PROGRES
GROUPE REPUBLICAIN LORRAIN COMMUNICATION (GRLC)
HELLER GMBH
ICM LIFE
JEAN BOZZI COMMUNICATION
LA LIBERTE DE L'EST
LA TRIBUNE
LE DAUPHINE LIBERE
LE REPUBLICAIN LORRAIN
LES DERNIERES NOUVELLES D'ALSACE
L'EST REPUBLICAIN
MARGEM-MEDIACAO SEGUROS
MEDIAPORTAGE
MONABANQ
MTRL
PARTNERS
PRESSE DIFFUSION
PROCOURTAGE
PUBLIPRINT PROVINCE N°1
QUANTA
REPUBLICAIN LORRAIN - TV NEWS
REPUBLICAIN LORRAIN COMMUNICATION
SAP ALSACE
SCI LA TREFLIERE
SCI LE PROGRES CONFLUENCE
SERENIS ASSURANCES
SOCIETE D'EDITION DE L'HEBDOMADAIRE DU LOUHANNAIS ET DU JURA (SEHLJ)
SOCIETE D'INVESTISSEMENTS MEDIAS (SIM)
TARGO COMMERCIAL FINANCE AG
TARGO DEUTSCHLAND GMBH
TARGO DIENSTLEISTUNGS GMBH
TARGO FACTORING GMBH
TARGO FINANZBERATUNG GMBH
TARGO IT CONSULTING GMBH
TARGO IT CONSULTING GMBH SINGAPOUR
TARGO LEASING GMBH
TARGO MANAGEMENT AG
TARGO REALTY SERVICES GMBH
TARGOBANK AG & CO. KGAA
TARGOBANK Espagne
TRANSATLANTIQUE GESTION
VOY MEDIACION

VII.8 - Independent verifier's report on consolidated social, environmental and societal information presented in the management report of Caisse Fédérale de Crédit Mutuel

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

Year ended the 31 12 2016

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number n° 3-1050, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 12 2016, presented in chapter "Corporate Social Responsibility" of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company for HR reporting and guides for environmental information in their versions dated 2016, (hereafter referred to as the "Criteria"), and of which a summary is included in introduction to chapter VII of the management report.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Our verification work mobilized the skills of five people between December 2016 and March 2017 for an estimated duration of four weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000[2].

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

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[1] Scope available at www.cofrac.fr

[2] ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code *(Code de commerce).*

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code *(Code de commerce).*

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code *(Code de commerce)* with the limitations specified in the Methodological Note in chapter VII of the management report.

Conclusion

Based on this work and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook around ten interviews with the people responsible for the preparation of the CSR Information in the different departments: CSR, Risk, Specialized Financing, Training of the elected representatives, HR, SRI management in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[3]:

- At the level of the parent entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report ;

---

3 **Social information**:

- *Indicators (quantitative information)*: total registered headcount, recruitments and the number of employees with fixed-term contract who left the organization including dismissals, gross total annual compensations of fixed-term contracts and their evolution, total number of days of absence, percentage of wage bill invested in training and the total number of days of training, number of women among executives;

- *Qualitative information*: employment (compensation and training policies, diversity and equality of treatment and opportunities).

Environmental and Societal information:

- *Indicators (quantitative information)*: paper consumption, total energy consumption, donations made in sponsoring and patronage, assets under management using a SRI approach, amount of solidarity-based savings, number of non-profit organisations clients, amount of social regulated loans outstanding, professional intermediated microcredit.

- *Qualitative information*: general environmental policy (organisation, training and information delivered to the employees), waste management, economic and social territorial impact (employment, regional development, impact on regional and local populations), relation with stakeholders (conditions for dialogue, partnerships or sponsorships), business ethics (actions undertaken to prevent bribery and corruption, inclusion, prevention of over-indebtedness).

- At the level of the representative selection of entities that we selected[4], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 41% of the total workforce and 40% of total energy consumption, that were considered as representative characteristics of the environmental and social domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- Controls at consolidation level, notably those relative to the scope, are not sufficiently undertaken. Significant adjustments have been made on social and environmental data.

Paris-La Défense, 12th April, 2017

French original signed by:

Independent Verifier ERNST & YOUNG et Associés	
Partner, Sustainable Development	Partner
Caroline Delerable	Hassan Baaj

[4] CIC, CIC Lyonnaise de Banque, CIC Nord-Ouest, CIC Ouest, CIC Est, CIC Sud-Ouest, Cofidis S.A. and Targobank Deutschland.

VII.9 - Independent verifier's report on consolidated social, environmental and societal information presented in the management report of Banque Fédérative du Crédit Mutuel

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

Year ended 12/31/2016

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[5], under the number n° 3-1050, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 12 2016, presented in chapter "Corporate Social Responsibility" of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company for HR reporting and guides for environmental information in their versions dated 2016, (hereafter referred to as the "Criteria"), and of which a summary is included in introduction to chapter VII of the management report.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Our verification work mobilized the skills of five people between December 2016 and March 2017 for an estimated duration of four weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000[6].

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

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[5] Scope available at www.cofrac.fr

[6] ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code *(Code de commerce).*

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code *(Code de commerce).*

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code *(Code de commerce)* with the limitations specified in the Methodological Note in chapter VII of the management report.

Conclusion

Based on this work and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook around ten interviews with the people responsible for the preparation of the CSR Information in the different departments: CSR, Risk, Specialized Financing, Training of the elected representatives, Human Resources, SRI management in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[7]:

At the level of the parent entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;

---

[7] **Social information**:

- *Indicators (quantitative information)*: total registered headcount, recruitments and the number of employees with fixed-term contract who left the organization including dismissals, gross total annual compensations of fixed-term contracts and their evolution, total number of days of absence, percentage of wage bill invested in training and the total number of days of training, number of women among executives;
- *Qualitative information*: employment (compensation and training policies, diversity and equality of treatment and opportunities).

Environmental and Societal information:

- *Indicators (quantitative information)*: paper consumption, total energy consumption, donations made in sponsoring and patronage, assets under management using a SRI approach, amount of solidarity-based savings, number of non-profit organisations clients, amount of social regulated loans outstanding, professional intermediated microcredit.
- *Qualitative information*: general environmental policy (organisation, training and information delivered to the employees), waste management, economic and social territorial impact (employment, regional development, impact on regional and local populations), relation with stakeholders (conditions for dialogue, partnerships or sponsorships), business ethics (actions undertaken to prevent bribery and corruption, inclusion, prevention of over-indebtedness).

At the level of the representative selection of entities that we selected[8], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 41% of the total workforce and 40% of total energy consumption, that were considered as representative characteristics of the environmental and social domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- Controls at consolidation level, notably those relative to the scope, are not sufficiently undertaken. Significant adjustments have been made on social and environmental data.

Paris-La Défense, 12th April, 2017

French original signed by:

Independent Verifier ERNST & YOUNG et Associés	
Partner, Sustainable Development Caroline Delerable	Partner Hassan Baaj

8 CIC, CIC Lyonnaise de Banque, CIC Nord-Ouest, CIC Ouest, CIC Est, CIC Sud-Ouest, Cofidis S.A. and Targobank Deutschland.

VIII. LEGAL INFORMATION about BFCM

VIII.1 - Shareholders

VIII.1.1 - Distribution of BFCM's capital at December 31, 2016

Shareholders	% held	number of shares	nominal amount held (€)
Caisse Fédérale de Crédit Mutuel	92.99%	31,401,592	1,570,079,600
CRCM Midi Atlantique	0.07%	24,484	1,224,200
CCM Sud Est (ex CFCM)	0.18%	61,545	3,077,250
CRCM Savoie Mont-Blanc	0.00%	20	1,000
CRCM Méditéranéen	0.22%	74,560	3,728,000
Fédération du Crédit Mutuel Centre Est Europe	0.00%	81	4,050
CRCM Loire Atlantique Centre Ouest	2.20%	741,949	37,097,450
CRCM Ile de France	0.43%	146,411	7,320,550
CRCM de Normandie	0.37%	123,806	6,190,300
CRCM du Centre	0.91%	308,726	15,436,300
CRCM Dauphiné Vivarais	0.01%	2,470	123,500
Natural persons	0.00%	42	2,100
CRCM Anjou	0.52%	176,001	8,800,050
CFCM Maine Anjou Basse-Normandie	1.36%	459,722	22,986,100
CFCM Océan	0.51%	172,116	8,605,800
CFCM Nord Europe	0.00%	1	50
CFCM Antilles Guyanne	0.01%	3,111	155,550
CCM Anjou	0.00%	390	19,500
CCM Centre Est Europe	0.17%	59,066	2,953,300
CCM Centre	0.00%	1,030	51,500
CCM Dauphiné Vivarais	0.00%	551	25,050
CCM Ile de France	0.01%	1,890	94,500
CCM Loire Atlantique Centre Ouest	0.00%	1,480	74,000
CCM Méditéranéen	0.00%	1,340	69,500
CCM Midi Atlantique	0.00%	1,172	58,600
CCM Normandie	0.00%	870	43,500
CCM Savoie Mont-Blanc	0.00%	470	23,500
CCM Sud Est	0.02%	5,694	284,700
	100.00%	33,770,590	1,688,529,500

CRCM : Caisse Régionale de Crédit Mutuel / CCM : Caisses de Crédit Mutuel / CFCM : Caisse Fédérale de Crédit Mutuel

VIII.1.1.1 - Changes in the distribution of capital during the past three years

<u>In 2016</u>

The Midi-Atlantique regional bank sold 20 BFCM shares to two Midi-Atlantique federation local banks.

The Normandie regional bank sold 50 BFCM shares to five Normandie federation local banks.

The Méditerranée regional bank sold 30 BFCM shares to three Méditerranée federation local banks and received 20 BFCM shares from two Méditerranée federation local banks.

<u>In 2015</u>

The Extraordinary Shareholders' Meeting of May 7, 2013 authorized the Board of Directors to implement a capital increase, on one or more occasions, of up to €5 billion.
This authorization was valid for a period of 26 months. As required by law, the Board of Directors informs the Shareholders' Meeting that the Board of Directors' meeting of February 27, 2014 decided to use this authorization to implement a capital increase of a maximum amount of €2.7 billion. The capital increase was completed on August 1, 2014.

The Board of Directors' meeting of February 26, 2015 decided to complete a second capital increase of €1.3 billion in the framework of the maximum authorized amount of €5 billion in cash. As the validity of the authorization granted on May 7, 2013 for a period of 26 months would have expired by the Board of Directors' meeting of July 31, 2015 that would record completion of the capital increase, the Extraordinary Shareholders' Meeting of May 13, 2015 renewed this authorization for the same duration and in the same conditions.

The Board of Directors' meeting of May 13, 2015 decided to increase the ceiling on the capital increase from €1.3 billion to €1.45 billion.
The capital increase was completed on July 31, 2015.

<u>In 2014</u>

The Extraordinary Shareholders' Meeting of May 7, 2013 authorized the Board of Directors to implement a capital increase, on one or more occasions, of up to €5 billion in cash. This authorization was granted in accordance with the provisions of article L.225-129-2 of the French Commercial Code for a maximum period of 26 months as of the decision of the Extraordinary Shareholders' Meeting.
The Board of Directors' meeting of February 27, 2014 decided to use this authorization to implement a capital increase of maximum 2.7 €billion by issuance of 4,882,459 shares with a par value of €50 and an issue premium of €503 per share, or €553 per new share.
The subscription period began on March 1, 2014 and the Board of Directors, at its meeting on that day, was responsible for the closing of the transactions and the corresponding amendments to the bylaws.

Pursuant to the authorization granted by the Extraordinary Shareholders' Meeting:

a) the Board noted that:
  - 4,882,459 new shares were fully subscribed in the amount of €2,699,999,827.
  - the subscriptions were paid up in cash and the funds were deposited with Banque Européenne du Crédit Mutuel, which issued the depository certificate required by law.

b) the Board decided:
  - to close the capital increase at the subscribed amount of €2,699,999,827, or 4,882,459 new shares all of the same class. They carry dividend rights as of January 1, 2014.
  - to recognize the definitive completion of this transaction and amend article 6 of the bylaws as follows:

Former version	***New version***
<u>ARTICLE 6 – SHARE CAPITAL</u> The share capital totals €1,329,256,700. It is divided into 26,585,134 shares, each with a par value of €50 and all of the same class.	**<u>ARTICLE 6 – SHARE CAPITAL</u>** The share capital totals €1,573,379,650. It is divided into 31,467,593 shares, each with a par value of €50 and all of the same class.

VIII.1.1.2 - Individuals or legal entities exercising control over BFCM

Caisse Fédérale du Crédit Mutuel controls 93% of BFCM.

VIII.1.1.3 - Knowledge by BFCM of an agreement likely to result in a change in control

To BFCM's knowledge, no agreement exists that might result in a change in its control at a later date.

VIII.1.1.4 - Dependence of BFCM on other Group entities

BFCM's dependence on other Group entities is limited to the ownership ties described in the chapter entitled "Presentation of CM11 Group".

The section entitled "Legal Information – Other Information" indicates that no major agreements exist between BFCM and the subsidiaries.

VIII.1.2 - Ordinary Shareholders' Meeting of May 3, 2017

VIII.1.2.1 - Excerpt of the Board of Directors' report to the Ordinary Shareholders' Meeting of May 3, 2017

VIII.1.2.1.1 - BFCM activities

BFCM has several key business activities:

- central refinancing for the Crédit Mutuel-CM11 Group.
- depository for the Crédit Mutuel-CM11 Group's undertakings for collective investments,
- financial relations with large corporates and local authorities through its payment processing, lending and financial engineering activities,
- parent company of the Crédit Mutuel-CM11 Group's subsidiaries and coordination of their activities.

VIII.1.2.1.1.1 - Capital markets activity – Refinancing

This information and data concern the Crédit Mutuel-CM11 Group's central treasury excluding Targobank Germany and Targobank Spain and excluding CIC's foreign subsidiaries and branches.

In 2016, the Crédit Mutuel-CM11 Group was able to refinance itself under good market conditions. Low interest rates and the regular presence of investors and their strong interest in our issuances created a favorable environment.

External resources totaled €132.8 billion at end-December 2016, a 7.2% increase compared with the end of 2015 (€123.9 billion).

The increase in short-term resources, which benefited from large amounts of liquidity in the money market, largely explains the rise in external resources. Short-term resources totaled €48.8 billion compared with €40.8 billion at end-2015, a more than 19% increase.

The outstanding amount of resources raised with maturities of more than 12 months was €84 billion, nearly the same (+1.1%) as the previous year (€83.1 billion).

In total, €12.4 billion in medium- and long-term external resources were issued in 2016, including €9.5 billion (76.3%) in the form of public issues, with the remainder through private transactions.

This €9.5 billion breaks down as follows:

- €3.75 billion issued by BFCM in the form of senior EMTN;
- €2.55 billion (equivalent) raised through U.S. Rule 144A (USD 1.75 billion) and Samurai (JPY 121.2 billion) offerings;
- €1.7 billion issued as Tier 2 subordinated debt;
- €1.5 billion over 6.5 years issued in the form of housing bonds by our specialized Crédit Mutuel-CIC Home Loan SFH subsidiary.

In addition, in 2016 the European Investment Bank (EIB) modified the framework of its lending packages for SMEs by extending them to intermediate-sized enterprises. The Group therefore finalized a new €500 million contract under the new name "loan for small, medium and intermediate-sized enterprises" based on a wider potential audience and long-term interest in this type of loan.

At the end of December 2016, this comfortable liquidity situation resulted in:

- a €68 billion LCR liquidity cushion held by the Central Treasury department;
- a Crédit Mutuel-CM11 Group LCR ratio of 140%; and
- 159% coverage of market deposits falling due in the next 12 months by holdings of liquid and ECB-eligible assets.

VIII.1.2.1.1.2 - Depository for undertakings for collective investments (UCI)

A depository for undertakings in collective investments (UCI), undertakings for collective investment in transferable securities (UCITS) and alternative investment funds (AIF) exercises three regulatory duties:

- Asset safekeeping, i.e. custody (mainly marketable securities) and record-keeping for other financial instruments (forward financial instruments and other pure registered financial instruments). This responsibility is entrusted to CF de CM-CIC Group's specialized units.
- Ensuring the regulatory compliance of UCI management decisions.
- Cash monitoring

It may also contractually perform liability management for the UCIs, when said management has been delegated by the management company. This task consists mainly of processing share subscription and redemption orders initiated by customers. This activity is carried out by the Crédit Mutuel-CM11 Group's specialized units.

The depository is responsible for safeguarding the unit-holders' interests by ensuring the regulatory compliance of the decisions taken by the UCI. In this respect, it implements its audit plan, which it adapts to take recent regulatory developments into account, particularly those concerning the UCITS 5 Directive.

In 2016, significant changes were made to the organization of the internal control system:

- The depository took the necessary measures to allow monitoring of its activity via its internal control portal.
- The depository function's ISCO (Investment Services Compliance Officer) establishes formal rules regarding oversight of the depository on its internal control portal.
- The depository, permanent control and compliance take joint actions to set up the oversight of service providers/delegated providers, particularly in the area of asset safekeeping.

In addition, the main work completed in 2016 was as follows:

- The depository stepped up its monitoring of the resources of asset management companies.
- The depository defined the strategy for targeting the planning and the topic of on-site audit procedures for asset management companies.
- Net asset values and the benchmark are now automatically monitored via the DEPOSI portal developed for the depository function.
- UCITS segregation was implemented by the regulatory deadlines on March 18, 2016.
- The conditions of independence between the BFCM and the Group's three asset management companies discussed in connection with the update of the performance specifications are in place.
- The General Secretariat took measures to structure the distribution of tasks by splitting the legal portion and the operational portion.
- In concert with the private banking segment, BFCM proposed making the depository a criterion in the choice of private equity funds marketed by the Group through the Crédit Mutuel and CIC networks.
- The redesign of the Customer Intake and Follow-up Questionnaire (CIFQ) was completed. The responses of all the asset management companies were received.
- The depository finalized the work related to determining the unit costs based on the 2015 findings and figures.
- With interest rates remaining in negative territory in the euro zone, the depository control function continued to closely monitor the consistency of the UCI investment policies and compliance with ratios.
- The members of management attended a seminar on October 20 and 21, 2016, the aim of which was to decide on the form of the performance specifications and set out the issues regarding its area of intervention.

- The depository was invited to coordinate with the Group Risk Department in connection with a project launched by the regulator on the law on separation and regulation of banking activities. The depository limited its intervention to its area of activity that covers the funds deposited with it.
- The control plan was updated to include changes in regulations and regulatory references.
- Following the publication of AMF instruction 2016-01, the preparatory work for drafting the performance specifications began early in the summer of 2016 with the help of working groups at CM-CIC Dépositaires and in coordination with PWC.
- The depository's departments (legal for the legal opinion and control for the due diligence) worked closely with CM-CIC Titres to establish relations with foreign sub-depositories.
- The depository was called upon regarding several projects launched by internal audit. These included information concerning the so-called SRAB law (law on Separation and Regulation of Banking Activities) and the provision of information regarding the formula-based funds managed by CM-CIC AM.
- The depository conducted specific audits regarding Brexit, particularly stock exchange transactions in GBP.

At the end of December 2016, Banque Fédérative du Crédit Mutuel was the depository for 877 UCIs with total assets of €75.4 billion, a 4.9 % decrease compared with 2015. This decrease was mainly linked to the decline in money market fund assets under management and the gradual maturity of assets held by securitization special-purpose vehicles.

The vast majority of UCIs held by Banque Fédérative du Crédit Mutuel (82.6% in managed assets, 83.9% in number) are managed by the Group's asset management companies, namely CM-CIC Asset Management for general and employee savings UCIs, CM-CIC Capital Privé for private equity funds and CM-CIC Private Debt for securitization special-purpose vehicles.

Banque Fédérative du Crédit Mutuel is also the depository for securitization funds used in connection with Group refinancing (15.6% of managed assets).

The UCIs of some 20 asset management companies that are not part of the Group and specialize primarily in private equity represent less than 2% of the assets held.

VIII.1.2.1.1.3 - Large accounts and structured products

2016 was a year of continued slow economic growth and moderate investment in France. Under these conditions, large French groups focused their strategies on worldwide growth in all global markets.

Liquidity remained abundant in the markets, leading most large corporates to renegotiate their credit lines to obtain more favorable financial conditions and to focus on bond financing. Bond financing now represents the bulk of long-term funding of the large corporates sector and continued to grow in 2016; the Crédit Mutuel-CM11 Group was involved in a larger number of bond issues (Technip, Rexel, Air Liquide, Tereos, Atos, APRR, etc.).

The Group’s financial strength, confirmed by audit results and the financial rating agencies, remains the key factor supporting our commercial growth in the large companies and institutional investors market segment.

In the payments area, the Group has strengthened its expertise in European cash management and cross-border electronic payments acquisition.

Meanwhile, the large accounts department continued to promote the Group’s various areas of expertise among its customers, particularly employee benefits management (bond and diversified funds), equipment leasing and real estate leasing. The buyout in 2016 of General Electric’s activities in Germany and France clearly reflects the Group's desire to extend its audience among large corporates in the areas of leasing and factoring.

Internationally, sales activity was stepped up to support our large corporate customers by capitalizing on the expertise of our foreign branches in Asia and North America.

In what appears will continue to be a difficult economic environment in 2017, the large accounts department will continue to bolster its presence among large European corporates by drawing on the Group's expertise.

VIII.1.2.1.2 - Information on the activity and results of the subsidiaries and controlled companies (Art. L. 233-6 paragraph 2 of the French Commercial Code)

Under the above provision, the report submitted to the Shareholders' Meeting must disclose the results of the subsidiaries and the companies controlled by BFCM, by business line.

VIII.1.2.1.2.1 - Financial and related sector

Groupe Crédit Industriel et Commercial SA

Activity and results

Accounting principles

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2016. These standards include IAS 1 to 41, IFRS 1 to 8 and 10 to 13 and any SIC and IFRIC interpretations adopted as of that date. These standards are available on the European Commission's website at:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The financial statements are presented using the format proposed in Recommendation 2013-04 of the French accounting standards authority relative to IFRS financial statements. They are consistent with the international accounting standards as adopted by the European Union.

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

Changes in consolidation scope

The changes in scope include:

- the sale of Banque Pasche;
- the liquidation of Banque Transatlantique Singapore Private Ltd;
- the absorption of CM-CIC Securities by CIC;
- the absorption of Sudinnova by CM-CIC Innovation.

Analysis of the consolidated statement of financial position

The main changes in the consolidated statement of financial position were as follows:

- Customer deposits totaled €138.8 billion, up 6.8% compared with 2015, thanks to strong growth in current accounts (+11.1%) and passbook deposits (+16.3%).
- Total net customer loan outstandings came to €166.1 billion, up 5.7% from 2015. Outstanding home loans grew by 2% to €70.6 billion.
- The loan-to-deposit ratio stood at 119.7% at December 31, 2016 compared with 120.9% a year earlier.
- Customer funds invested in savings products totaled €258.7 billion, down 0.4% compared with December 31, 2015.
- Reported shareholders' equity attributable to the Group was €14.055 billion (versus €13.069 billion at December 31, 2015). Excluding transitional measures, Basel 3 common equity tier one capital (CET1) was €12.6 billion, the common equity tier 1 ratio was 12.5% and the overall ratio was 14.2%. These levels are significantly higher than the European Central Bank's requirements established at the time of the 2017 Supervisory Review and Evaluation Process. The CET1 capital requirement with which the CIC Group must comply was set at 7.50% in 2017 and the requirement related to the overall ratio at 9.75%, plus the conservation buffer of 1.25%, for a total of 11%.

The leverage ratio excluding transitional measures was 4.5%.

Analysis of consolidated income statement

€ millions	2016	2015	Change 2016/2015

Net banking income	4,985	4,782	4.2%
Operating expenses	(3,071)	(3,005)	2.2%
Gross operating income	1,914	1,777	7.7%
Net income before tax	1,877	1,702	10.3%
Corporate income tax	(560)	(562)	-0.4%
Net income from activities sold*	44	(23)	NA
Net income (loss)	1,361	1,117	21.8%
Net income attributable to owners of the company	1,352	1,111	21.7%

**Since January 1, 2015, Banque Pasche is accounted for under IFRS 5 as an entity i the process of being sold. The sale was completed at the end of the second quarter of 2016.*

Net banking income rose by 4.2% to €4.985 billion. This includes €89 million in compensation for the CIC regional banks, Banque Transatlantique and CIC as sub-participants to Banque Fédérative du Crédit Mutuel (BFCM) in VISA Europe in connection with VISA Inc.'s acquisition of that company. The retail banking segment's net banking income represented 70% of total net banking income.

The cost-to-income ratio improved to 61.6% (versus 62.8% a year earlier) with a controlled increase in operating expenses of 2.2% to €3.071 billion compared with €3.005 billion at the end of 2015.

Net additions to/reversals from provisions for loan losses decreased from €207 million to €185 million in one year. The net provision allocation on an individual basis rose by €5 million and there was a €28 million reversal of collective provisions, compared with €1 million in 2015.

Net provisioning on an individual basis in relation to outstanding loans fell from 0.14% to 0.13% and the overall non-performing loan coverage ratio was 50.0% at December 31, 2016.

The share of income of affiliates was €136 million compared with €138 million a year earlier. In addition, net gains on disposals of non-current assets totaled €13 million compared with a loss of €6 million at end-December 2015.

Income before tax increased by 10.3% to €1.877 billion compared with €1.702 billion at the end of 2015.

Given the swing in net profit/loss on divested activities from a loss of €23 million at December 31, 2015 to a profit of €44 million at December 31, 2016, of which €66 million in funds reclassified from the translation reserve (sale of Banque Pasche), net income rose by 21.8% to €1.361 billion.

Rating

On October 12, 2016, the rating agency Standard & Poor’s upgraded CIC's long-term rating from A with a negative outlook to A with a stable outlook. The other ratings assigned by Moody’s and Fitch Ratings remained the same. CIC’s ratings are as follows:

	Standard & Poor’s	Moody’s	Fitch Ratings
Short term	A-1	P-1	F1
Long term	A	Aa3	A+
Outlook	Stable	Stable	Stable

Analysis by activity

Description of the business lines

Retail banking, CIC’s core business, comprises all the banking and specialized activities whose products are marketed by the network of regional banks, which is organized around five regional divisions and that of CIC in Ile-de-France: life and property-casualty insurance, equipment leasing and leasing with purchase option, real estate leasing, factoring, fund management, employee savings and real estate.

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

Capital markets activities include fixed income instruments, equities and credit ("ITAC") as well as brokerage services.

Private banking develops expertise in financial and wealth management for families of business owners and private investors in France and around the world.

Private equity encompasses equity investments, merger-acquisition consulting and financial and stock market engineering.

The holding company includes all activities not assigned to another business.

Each consolidated company is included in only one business line, corresponding to its core business, on the basis of its contribution to the Group's results. The only exception is CIC, whose income, expenses and balance sheet items are subject to an analytical distribution.

Results by activity

Preliminary note: The 2015 year-end figures were restated to reallocate capital gains on securities realized by CIC EST to headquarters and holding company services. This resulted in a €20 million reduction in net banking income for retail banking in 2015 and an €8 million reduction in taxes. Conversely, the 2015 net banking income of headquarters and holding company services increased by €20 million and its 2015 tax by €8 million. The restated figures are indicated with an asterisk.

Retail banking

€ millions	2016	2015	Change 2016/2015	2015 restated*	Change* 2016/2015
Net banking income	3,500	3,514	-0.4%	3,494	0.2%
Operating expenses	(2,272)	(2,254)	0.8%	(2,254)	0.8%
Gross operating income	1,228	1,260	-2.5%	1,240	-1.0%
Net income before tax	1,204	1,202	0.2%	1,182	1.9%
Net income attributable to owners of the company	826	790	4.6%	778	6.2%

In one year, customer deposits grew by 7.5% to €107.2 billion as a result of:

- the increase in current accounts with credit balances (+21.2%) which totaled €47.7 billion at end-December 2016;
- passbook accounts (+6.2% to €26.6 billion); and
- home savings (+12.6% to €10 billion).

Net customer loan outstandings rose by 3.8% to €128.6 billion, with an increase of 5.4% in all treasury loans, equipment loans and other loans and 3.7% in home loans.

Net banking income from retail banking was up 0.2%* to €3.5 billion.

Net fee and commission income represented 42.9% of net banking income, up 0.9%. The net interest margin remained stable and other components of net banking income fell by 8.4%*.

General operating expenses increased by 0.8% to €2.272 billion (€2.254 billion in 2015).

Net additions to/reversals from provisions for loan losses fell to €164 million compared with €194 million in 2015, with a decrease in the net provision allocation on an individual basis of €28 million.

Income before tax was €1.204 billion, up 1.9%* from €1.182* billion a year earlier.

Banking network

€ millions	2016	2015	Change 2016/2015	2015 restated*	Change* 2016/2015

Net banking income	3,283	3,306	-0.7%	3,286	-0.1%
Operating expenses	(2,130)	(2,118)	0.6%	(2,118)	0.6%
Gross operating income	1,153	1,188	-2.9%	1,168	-1.3%
Net income before tax	1,004	1,002	0.2%	982	2.2%
Net income attributable to owners of the company	654	618	5.8%	606	7.9%

The branch network has 4,953,615 customers (+1.8% from end-December 2015).

Customer deposits totaled €104.9 billion at December 31, 2016. They rose by 7.5% thanks to an increase in current accounts (+22.0%), passbook accounts (+6.2%) and home savings (+12.6%).

Net customer loans outstanding grew by 4% to €111.8 billion at December 31, 2016. Treasury, equipment and other loans increased by 6.1% overall and home loans by 3.7%.

Savings fell slightly to €56.8 billion compared with €58.2 billion at end-December 2015 despite an increase in life insurance products (+2.8%) and employee savings plans (+6.1%).

Insurance continued to grow.

The number of property and casualty insurance contracts taken out was 4,789,913 (a 7.6% increase in the portfolio).

Service activities rose by:

- 8.8 % in remote banking with 2,236,137 contracts,
- 1.8% in telephone services (447,421 contracts),
- 4.0% in theft protection (91,335 contracts), and
- 4.6% in electronic payment terminals (133,994 contracts).

Despite low interest rates, the branch network's net banking income held steady at €3.283 billion (compared with €3.286* billion a year earlier), with a 1.3%* decrease in the net interest margin and other components of NBI. Fee and commission income rose by 1.4% despite a decrease in loan fees of 16.5% related to a high level of home loan renegotiation fees.

General operating expenses amounted to €2.130 billion (+0.6% compared with December 31, 2015).

At €153 million, net additions to/reversals from provisions for loan losses were down 16.8% as a result of a €29 million decrease in the net provision allocation on an individual basis.

Income before tax in the branch network grew by more than 2.2% to €1.004 billion compared with €982* million in 2015.

Ancillary businesses to retail banking

These activities generated net banking income of €217 million in 2016, compared with €208 million a year earlier, and the same income before tax as in 2015 (€200 million), more than two-thirds of which consists of the share of income from the Crédit Mutuel-CM11 Group's insurance business.

Corporate banking

€ millions	2016	2015	Change 2016/2015
Net banking income	353	366	-3.6%
Operating expenses	(105)	(97)	8.2%
Gross operating income	248	269	-7.8%
Net income before tax	226	246	-8.1%
Net income attributable to owners of the company	143	158	-9.5%

Net corporate banking customer loan outstandings stood at €16 billion, up 17.7%.

Net banking income of €353 million was down 3.6% as a result of non-recurring transactions in 2015.

General operating expenses rose by 8.2% to €105 million (€97 million at December 31, 2015), with a 12.3% increase in employee expenses (up €7 million) due mainly to provisions for retirement costs at the end of 2016.

Net provision allocations/reversals for loan losses were similar to those in 2015, with an expense of €22 million versus €23 million a year earlier. The net provision allocation on an individual basis rose by €23 million, while collective provisions posted income of €15 million compared with an expense of €9 million.

Income before tax stood at €226 million, down 8.1% from December 31, 2015.

Capital markets activities

€ millions	2016	2015	Change 2016/2015
Net banking income	397	342	16.1%
Operating expenses	(202)	(169)	19.5%
Gross operating income	195	173	12.7%
Net income before tax	198	175	13.1%
Net income attributable to owners of the company	126	93	35.5%

The capital markets division generated net banking income of €397 million, up 16.1% from 2015.

As is the case with the other network support businesses, most of the profit from commercial transactions is allocated to the income statement of the entities that monitor customers.

The 19.5% increase in general operating expenses was due to a Single Resolution Fund (SRU) tax charged to this business line, which was €14 million more than the previous year.

There was a net loan loss provision reversal of €3 million compared to a reversal of €2 million in 2015.

Income before tax rose from €173 million to €195 million.

Private banking

€ millions	2016	2015	Change 2016/2015
Net banking income	512	509	0.6%
Operating expenses	(367)	(371)	-1.1%
Gross operating income	145	138	5.1%
Net income before tax	149	143	4.2%
Net profit/loss on discontinued activities	(22)	(23)	-4.3%
Net income attributable to owners of the company	95	79	20.3%

Private banking deposits rose 8% to €20.1 billion. Outstanding loans totaled €13.8 billion, up 15.1% compared with 2015. Customer funds invested in savings products amounted to €87.6 billion (+2.6%).

Net banking income rose to €512 million compared with €509 million a year earlier (+0.6%) as a result of an 11.1% increase in the net interest margin. General operating expenses fell by 1.1% with depreciation and amortization down by €23 million thanks mainly to a change in the goodwill amortization method in 2015. Net provision allocations/reversals for loan losses went from €9 million in income in 2015 to an expense of €3 million. Income before tax stood at €149 million (€143 million in 2015), up 4.2% before taking into account the €22 million net loss of Banque Pasche, which was sold in the second quarter of 2016 (compared with a €23 million loss in 2015). This €22 million net loss excludes the €66 million reclassification of the translation reserve.

Private equity

€ millions	2016	2015	Change 2016/2015
Net banking income	195	172	13.4%
Operating expenses	(46)	(41)	12.2%
Gross operating income	149	131	13.7%
Net income before tax	149	131	13.7%
Net income attributable to owners of the company	149	127	17.3%

The Group's own invested assets totaled €2 billion, including €288 million of new investments in 2016. The portfolio is made up of 408 equity holdings, the vast majority of which are in companies that are customers of the Group's networks.

The private equity business performed well in 2016, reporting net banking income of €195 million at December 31, 2016, compared with €172 million in 2015, and income before tax of €149 million, compared with €131 million a year earlier.

Headquarters and holding company services

€ millions	2016	2015	Change 2016/2015	2015 restated*	Change* 2016/2015
Net banking income	28	(121)	N.A.	(101)	N.A.
Gross operating income	(51)	(194)	-73.7%	(174)	-70.7%
Net income before tax	(49)	(195)	-74.9%	(175)	-72.0%
Net profit/loss on discontinued activities	66		N.A.		N.A.
Net income attributable to owners of the company	13	(136)	N.A.	(124)	N.A.

The net banking income of headquarters and holding company services consists mainly of:

- +€89 million in compensation for the CIC regional banks, Banque Transatlantique and CIC as sub-participants to Banque Fédérative du Crédit Mutuel (BFCM) in VISA Europe in connection with VISA Inc.'s acquisition of that company.
- -€22 million to finance working capital and the cost of subordinated securities (-€50 million in 2015);
- -€45 million to finance the network development plan (-€67 million in 2015);
- -€2 million in provisions and net losses on the sale of investments in non-consolidated companies (-€6 million in 2015);
- €1 million in dividends (€2 million in 2015).

The change in net banking income between 2015 and 2016 was also due to the allocation to 2015 net banking income of:

- €20 million* in capital gains on securities realized by CIC EST; and
- €8 million in net interest expense linked to the establishment of the liquidity buffer.

General operating expenses rose from €73 million in 2015 to €79 million.

Net provision allocations/reversals for loan losses posted income of €1 million and there was a €1 million net gain on non-current assets, while in 2015 net provision allocations/reversals for loan losses posted an expense of €1 million and there was no gain or loss on non-current assets.

The result was a pre-tax loss of €49 million compared with a loss of €175 million* at end-2015.

Tax amounted to -€4 million (compared with +€59 million in 2015).

After the reclassification of €66 million from the translation reserve (sale of Banque Pasche), net income attributable to owners of the company was €13 million compared with a net loss of €124 million* a year earlier.

Information on sites included in the consolidation scope under Article 7 of law 2013-672 of July 26, 2013 of the French Monetary and Financial Code amending Article L. 511-45 and decree 2014-1657 of December 29, 2014.

2016: Sites by country

Entity	**Business line**
Germany	
CM-CIC Leasing GMBH	Banking network subsidiary
Belgium	
Banque Transatlantique Belgium	Private banking
CM-CIC Leasing Benelux	Banking network subsidiary
Spain	
CM-CIC Bail Espagne (branch)	Banking network subsidiary
United States	
CIC New York (branch)	Corporate banking and capital markets
France	
Adepi	Headquarters and logistics
Banque Transatlantique	Private banking
CIC Est	Retail banking
CIC Lyonnaise de Banque	Retail banking
CIC Nord Ouest	Retail banking
CIC Ouest	Retail banking
CIC Participations	Headquarters and logistics
CIC Sud Ouest	Retail banking
CM-CIC Asset Management	Banking network subsidiary
CM-CIC Bail	Banking network subsidiary
CM-CIC Capital et Participations	Private equity
CM-CIC Conseil	Private equity
CM-CIC Epargne salariale	Banking network subsidiary
CM-CIC Factor	Banking network subsidiary
CM-CIC Innovation	Private equity
CM-CIC Investissement	Private equity
CM-CIC Investissement SCR	Private equity
CM-CIC Lease	Banking network subsidiary
CM-CIC Proximité	Private equity
Crédit Industriel et Commercial - CIC	Banking

Dubly-Douilhet Gestion	Private banking
Gesteurop	Headquarters and logistics
Groupe des Assurances du Crédit Mutuel (GACM)	Insurance company
Transatlantique Gestion	Private banking
Luxembourg	
Banque de Luxembourg	Private banking
Banque Transatlantique Luxembourg	Private banking
Cigogne Management	Capital markets
Diversified Debt Securities SICAV - SIF	Capital markets
UK	
Banque Transatlantique London (branch)	Private banking
CIC London (branch)	Corporate banking
Singapore	
CIC Singapore (branch)	Corporate banking and capital markets and private banking
Entity	**Business line**
Switzerland	
Banque CIC (Switzerland)	Private banking

2016 - Information by country	**Net banking income**	**Net income before tax**	**Corporate income tax**	**Other taxes Total**	**Government subsidies received**	**Number of employees**
Germany	5	3	0	0		3
Belgium	15	7	(2)	(1)		37
Spain	4	1	0	0		3
USA	118	70	(21)	(7)		85
France	4,329	1,625	(507)	(713)		18,367
Luxembourg	278	97	(14)	(23)		804
UK	45	30	(8)	(7)		56
Singapore	86	15	(3)	(4)		241
Switzerland	105	29	(5)	(10)		314
Total	**4,985**	**1,877**	**(560)**	**(765)**		**19,910**

Banque Européenne du Crédit Mutuel SAS

BECM is a network bank that conducts its business nationally and in Germany, where it expanded its coverage in 2016 with the opening of a "Large Accounts" branch and a "Real Estate" branch in Frankfurt.

BECM's areas of expertise cover:

- large and mid-sized corporates;
- financing for real estate developers and investors, mainly in the housing sector;

- Real estate companies specializing in the management of leased commercial properties and office space, in France and Germany,
- flow management for large accounts in the retail, transportation and services sectors.

BECM operates in the corporate and real estate markets, in tandem with the CIC regional banks and on a subsidiarity basis relative to the Crédit Mutuel regional banking network, with thresholds for intervention adapted to each region.

In Germany, BECM mainly targets the large and medium-sized German companies segment through its relations with the parent companies of French/German subsidiaries. It contributes its knowledge of the German local markets and makes its know-how available to the Group's domestic network and other banking entities.

BECM also distributes the products and services of the Group's other subsidiaries and business centers in all areas related to the corporate and real estate markets.

With a workforce of 408 people, BECM had a network of 50 branches, including 37 dedicated to corporate customers and 13 specialized in real-estate financing, at end 2015.

Growth in on-statement of financial position loans remained high, rising by 8.4% to €12.4 billion.

Deposits rose by 21.8% to €12.2 billion, with a high intake in Germany helped by the Group's recognized financial soundness. The loans-to-deposits ratio is now 95.6%.

Net income increased by a substantial 19.9% to €106 million as a result of the increase in the financial margin based on a rate effect on deposits and a volume effect on loans, on the one hand, and fee and commission income, particularly on electronic payments and real estate development, on the other hand.

CIC Iberbanco

With 166 employees working at 35 branches in France, CIC Iberbanco attracted over 9,300 new customers in 2016, up 12% compared with 2015.

Savings deposits increased by 10.5% to €662 million and outstanding loans reached €772 million, up 27% over 12 months. Insurance (+26% with 38,200 policies) and telephone services (+10% with 5,403 subscribers) also attest to CIC Iberbanco's strength.

CIC Iberbanco continued to implement its development plan with the opening of new branches. After Versailles on October 1, 2016, two new branches are planned for the first half of 2017 in Chatou and Sainte-Geneviève-des-Bois and new projects are currently under study in Ile-de-France and the southern Mediterranean.

Net income in 2016 was €7.4 million.

Targobank Germany

The year 2016 saw the launch of a new medium-term plan – “Targobank 2020” – which includes a series of initiatives designed to strengthen the bank's long-time activities, diversify revenue sources and further optimize productivity by controlling costs.

These initiatives resulted in a significant improvement in Targobank Germany's market share in the consumer credit market (+5% compared with 2015).

Personal loan production rose by more than €500 million (+19% to €3.2 billion) compared with 2015. At December 31, 2016, outstanding loans totaled nearly €12.2 billion, a 6.6% increase from December 31, 2015.

Growth was particularly strong in the distance selling channels – telephone and Internet – with online loan production up by 44% and telephone loan production by 63%. There was also a significant increase in the physical channels (+15%) The bank continued to develop its points of sale strategically, while at the same time taking steps to streamline its network (consolidation and relocation of branches, adjustment of areas).

The volume of auto loans increased significantly to €285 million at year-end (€+139 million/+95% compared with the end of 2015).

Customer deposits also continued to grow and support the development of the loan portfolio, increasing by more than €1 billion to €13.1 billion at December 31, 2016 compared with end-2015.

Savings increased by €439 million to €10.6 billion at December 31, 2016, bolstered by the launch of a new price offering, "Plus-Depot", which makes the bank's wealth management activity less dependent on the health of the financial markets.

The bank's IFRS income before tax was €464 million, an increase of €55.5 million, i.e. +13.6%, compared with 2015.

Excluding non-recurring items, in particular payment for the Visa Europe shares (€18.9 million), net income benefited mainly from the increase in outstanding customer loans which, for the first time, offset the effects of the decrease in interest rates. The sharp reduction in expenses also contributed to the increase in net income.

In terms of diversification, the launch in February 2016 of a range of loans for independent workers was a first step in the expansion of the bank's business model. This first step will be followed by the launch of loans designed for SMEs at the end of 2017.

In addition, on July 20, 2016 the Crédit Mutuel-CM11 Group completed the acquisition of the factoring and leasing activities of GE Capital in France and Germany. The German portion of the transaction will be integrated into Targobank Germany in the spring of 2017. The companies in questions have already operated under the “Targo Commercial Finance” umbrella brand since August 2016.

The IFRS income before tax of all the "Targo Commercial Finance” companies was €38 million in 2016.

During the year, outstanding loans increased by €130 million to €3.2 billion at December 31, 2016. This increase was mainly due to the factoring business.

New finance leases remained stable at €0.3 billion. New factoring business decreased slightly (down €1.5 billion) to €45 billion in 2016.

Targobank Spain

An all-purpose bank held 51% by BFCM and 49% by Banco Popular Español, Targobank Spain has 125 branches located in Spain’s main centers of economic activity and close to 135,000 customers, mainly individuals. The volume of customer loans stood at €2.1 billion at end-2016 and customer deposits totaled nearly €2 billion, up 4.3% over one year.

In 2016, BFCM acquired a controlling interest in the subsidiary (from 50% to 51% of the share capital), which included a change in management.

This change in internal governance, coupled with changes in Spanish regulations with the entry into force of *AnejoIX*[1], led to a significant adjustment of the provisions for credit risk, which stood at €100 million. In addition, provisions were set up for potential claims for reimbursement as a result of floor clauses, which reduced net banking income.

[1] Bank of Spain circular (4/2016): according to the calendars defined based on the type of customer and loan category, banks have 18 to 21 months to cover 100% of doubtful loans; however, they must provision between 20% and 60% of the value of the loans after 90 days of default, whereas previously they were only required to provision 25% after this period

Cofidis Participations Group

The Cofidis Participations Group, which is jointly held with Argosyn (formerly 3SI), 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).

It has three brands specializing in the sale of financial products and services:

- Cofidis, a European online credit and auto loan specialist based in France, Belgium, Italy, Spain, Portugal, Czech Republic, Hungary, Slovakia and Poland;
- Monabanq, an online bank; and
- Créatis, a specialist in consumer credit consolidation.

Financing rose by 15% compared with 2015, with a significant increase both in France and internationally and growth in Belgium, Spain, Portugal, Italy and Central Europe.

The Cofidis Group's outstanding customer loans totaled €10.1 billion at the end of 2016.

Banque Casino

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

The bank's development continued in 2016, particularly by supporting the growth of the Cdiscount brand through sales financing.

CM-CIC Asset Management SA

In 2016, CM-CIC AM, the business center for the Crédit Mutuel-CIC Group's asset management and France's fifth largest asset manager, recorded 3.1% growth in assets under management in the French market, from €61.8 billion to €63.7 billion, with a 5.50% market share[1].

This increase was mainly due to additional net inflows of €1.112 billion in bond assets, excluding FCPE company mutual funds. With negative short-term interest rates, the Group's cash funds, among the highest rated in the market[2] at December 31, 2016 (first quartile for Union Cash and Union Plus at December 31, 2016), posted positive performance in 2016.

As for equity mutual funds, CM-CIC Asset Management's performance was in line with the stock market, which was marked by high volatility both economically and politically (Brexit, election in the United States, etc.). However, the relative portion of the equity mutual fund assets remained stable at more than €8 billion.

In 2016, CM-CIC Asset Management endeavored to help the networks plan for the future and take advantage of opportunities. To address the major issue of transferring the Assurances du Crédit Mutuel euro funds to unit-linked policies, the growth fund called CM-CIC Europe Growth was authorized for the "pack UC" discretionary management product marketed since September.

In addition, several successive formula-based fund campaigns were launched, generating a total inflow of more than €254 million. The year 2016 also saw the marketing development of the "Flexigestion" flexible management products. This product line, which includes three investment solutions, brought in nearly €140 million.

A fund called CM-CIC Silver Économie was added to the Europe themed range. This fund is invested in securities that keep pace with the aging of the population.

In 2016, the quality of CM-CIC AM's management was recognized by the "Le Revenu" and "Mieux Vivre Votre Argent" financial magazines:

Trophée d'Or for best range of three-year diversified funds

Trophée d'Or for best 10-year euro bond fund

(Performance as of March 31, 2016. Source Morningstar)

Corbeille d'Or for best range of five-year diversified funds *(performance as of June 30, 2016. Source: Six Financial Information France).*

For the second straight year, the Performance Label was awarded to the CM-CIC Dynamique International, CM-CIC Europe Growth and CM-CIC Entrepreneurs funds *(five-year performance as of December 31, 2015. Source: Six Financial Information France)*

Under invitations to tender, a total of €1.407 billion was collected in 2016, thanks to a larger team that is the single point of entry for the Group, in partnership with the Group's large accounts division and in collaboration with CM-CIC Épargne Salariale.

In 2016, international development continued with the marketing of the two CM-CIC Protective 90 and CM-CIC Europe Growth funds through Targobank Germany. These funds will also be marketed in 2017 through Targobank Spain.

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[1] *Source Six Financial Information France.*

[2] *Source Europerformance.*

The year ended with the redesign of the discretionary portfolio management service offered by the Group's portfolio management company, CM-CIC Gestion, which operates through the CIC, CIC Private Banking and Crédit Mutuel networks.

CM-CIC Gestion's managed assets increased by more than €10.3 billion (up 5%) at end-December.

Lastly, CM-CIC AM continued to develop its role as a mutual fund accounting services provider. Its activity further increased with the valuation of 1,143 internal and external portfolios (including 428 for 79 third-party asset management companies).

Crédit Mutuel-CIC Home Loan SFH

Moderate use was made of Crédit Mutuel-CIC Home Loan SFH in 2016, with a single issue of €1.5 billion for 6.5 years completed in February.

The slight reduction in the Crédit Mutuel-CM11 Group's medium- and long-term refinancing needs in 2016 and the ECB's strong presence in this asset class which at times restricted this market were the main reasons for this low level of activity.

Crédit Mutuel-CIC Home Loan SFH nevertheless accounted for 15% of the resources raised by the Group on the financial markets in the form of public issues and, through its operations, will of course continue to secure the 2017 issue program.

CM-CIC Lease SA

In 2016, new real estate lease financing agreements on behalf of customers of the Group's networks totaled nearly €629 million, up 4% compared to the previous year, as a result of 289 new transactions.

Real estate leasing is suitable for many projects and business sectors and an appropriate means of long-term financing for companies. CM-CIC Lease's total financial and off-statement of financial position outstandings increased by 4% during the year, the same rate as in 2015, to €4.4 billion.

As in the previous year, activity was diversified with a high proportion of financing of logistics site projects (28.5% of new business in terms of volume, +0.9 points) and commercial properties (19.9% of new business, -2.4 points). New leases on office buildings and industrial sites accounted for 15.2% (-0.4 points) and 15.3% (+1.5 points) of new business, respectively.

The breakdown of outstandings remained mostly unchanged but is coming into balance. The proportion of logistics sites and warehouses remained stable at 20.1% of outstandings, commercial properties accounted for 23.7% (-1.6 points) and industrial sites 21.7% (+0.2 points). The remaining existing leases covered a range of sectors, including office buildings (15.9%), healthcare facilities (8.4%), hotels (7.8%) and other facilities (2.4%).

Net interest income from customers rose by 8% in 2016. Various IT projects and human resource developments needed to continue growth in new business and existing leases led to a 3.7% increase in general operating expenses excluding new tax and regulatory charges. Commissions paid to the Crédit Mutuel-CM11 and CIC networks totaled €20.1 million, up 8.1%. Net income increased to €10 million.

Banque de Luxembourg:

Banque de Luxembourg is one of Luxembourg's leading banks. It focuses on its five businesses, namely private banking, asset management, lending, business support and services for asset management professionals.

In 2016, its private banking outstandings increased to €22.4 billion. Its customers are international business owners and families seeking reliable solutions to protect, manage and transfer their tangible and intangible assets. It offers its customers an integrated lines of services from investment advisory to financing solutions. Banque de Luxembourg also supports them in issues related to family governance or in philanthropic projects.

Banque de Luxembourg continued to expand in Luxembourg, as well as in Belgium, where it has operated since 2010. Given its reputation, it is regularly called upon by customers with, in some cases, complex needs, such as substantial and diversified assets, business or private activities in several countries, and so on. In response to their needs, the bank constantly adapts its solutions to take into account, for example, customers' requests related to asset analysis and consolidation, reporting or diversification away from traditional asset classes. It also develops alternative management (private equity, hedging, real estate, social finance, microfinance, etc.) solutions.

In the early 1980s, Banque de Luxembourg was a pioneer in the development of a center of excellence for investment funds, an area in which Luxembourg holds a global leadership position. Since then, the bank has offered fund initiators all the necessary services for creating their structures and for their central administration and international distribution.

The bank is a leading provider of services and comprehensive support for independent asset managers. Third-party managers outsource their administrative tasks to the bank, which enables them to focus entirely on managing and developing their business.

In 2016, banking services for professionals increased to €51.6 billion, including €44.7 billion in net assets for investment funds and €6.9 billion in assets under management for the 'third-party manager' business.

The bank continues to quickly integrate regulatory complexity and takes advantage of advances in information and digital technology. In 2016, the bank's net banking income* was €251.3 million (-24.6%) and its net income (under LUXGAAP) stood at €63.1 million (-8.2%) in an environment of record low interest rates.

CM-CIC Leasing Solutions

CM-CIC Leasing Solutions, which resulted from the acquisition of the activities of GE Capital in France by BFCM on July 20, 2016, specializes in business equipment financing. CM-CIC Leasing Solutions operates primarily via a partner network to provide finance leases, financial leases and operating leases in the office equipment, computer equipment, vehicles and hoisting equipment, medical equipment and production equipment markets.

In a growing equipment lease financing market for businesses and professionals, throughout 2016 the company arranged 35,510 equipment leases for a total of €778 million, a 2% annual increase. Since the acquisition, €351 million in financing has been provided.

Although most of the existing leases are still used to finance office and computer equipment, the company has developed its business significantly in the building and public works, materials handling, industrial financing, transport and IT markets.

The company's net banking income remained stable during this period, mainly as a result of the increase in add-on products such as insurance and annual fixed amounts for contract monitoring.

In 2016, CM-CIC Leasing Solutions also bolstered its digital transformation strategy by introducing an e-signature solution for customer contracts.

CM-CIC FACTOR – FACTOFRANCE - COFACREDIT

Factoring in France is now handled by *CM-CIC Factor*, the Crédit Mutuel-CM11 Group's long-time business center for receivables financing and management, and Factofrance and Cofacrédit, two companies acquired from General Electric France in July 2016.

At December 31, 2016, the new Group represents one-fourth of the French market with:

- approximately €66.4 billion in purchased receivables *(€61.4 billion in 2015, up 8%)*;
- €13.3 billion in export revenues (*€12.4 billion in 2015, up 7%)*;
- gross outstandings at year-end of €9.8 billion *(relatively similar to the previous year)*.

The contribution of CM-CIC Factor, Factofrance and Cofacrédit to consolidated net income was €17.4 million.

VIII.1.2.1.2.2 - Insurance sector

Groupe des Assurances du Crédit Mutuel – GACM – SA

Crédit Mutuel created and developed "bankinsurance" starting in 1971. This longstanding experience has enabled the activity, carried out through Groupe des Assurances du Crédit Mutuel (GACM), to be fully integrated into the Crédit-Mutuel-CM11 Group at both the sales and technical levels.

GACM covers 10.3 million holders (+3.3%) of 28.6 million policies.

The Crédit Mutuel-CM11 Group's insurance business continued to grow in 2016, with revenues up 2.3% to €10.8 billion.

Reflecting market trends, in life insurance and insurance-based savings products gross premium income fell by 1.1% to €6.3 billion (-0.6% for the market). Net premium income was down by 16.7% (market -28.6%). This decrease reflects the current low interest rate environment which encourages insurance companies to limit inflows from funds in euros and promote more unit-linked (UL) policies. For GACM, the share of UL policies in gross inflows increased to 12.7% in 2016 compared to 9.0% in 2015.

Property and casualty insurance revenue rose by 4.6%, outperforming the market (+1.5%). 2016 was a record year in terms of new auto and homeowners insurance policies, with 435,000 and 351,000 policies sold, respectively. The self-employed professionals market also recorded steady growth.

One year after it took effect, the rollout of universal supplementary health insurance, initiated by the ANI (Accord National Interprofessionnel - national multi-sector agreement), led to a shift in the health insurance market from individual policies to group policies taken out by companies. In this context, the Crédit Mutuel and CIC networks achieved the group policy sales targets. However, the increase in enrollment rates and the provision of coverage to employees must continue. Some employees remain enrolled in their individual policy, which demonstrates the slight decrease in the individual health insurance portfolio (-0.8%).

Personal protection insurance increased significantly in 2016, with 223,800 policies sold, i.e. 20.5% more new business than in 2015.

In total, personal insurance revenues stood at €2.6 billion, up 4.0%.

The contribution of insurance to the Group's results was €733 million, up slightly by 0.4% compared with 2015. GACM’s net income was €744 million (+0.5%). It takes into account the impact of the decrease in interest rates on provisions and on the financial return on investments. The weather events in May and June had a limited impact on the financial statements.

In life insurance, the interest rates offered were 0.49 points lower, on average, than in 2015. This decrease allowed a large allocation to the Profit-Sharing Provision, with a view to better coping with persistently low interest rates and encouraging unit-linked (UL) policies.

Commissions paid to the distribution networks amounted to €1.228 billion, an increase of 4.9%. Over the last 10 years, the commissions generated by the insurance business have doubled.

Lastly, the Spanish market, GACM's second-largest market, accounted for 3.7% of insurance revenues in 2016, with €394 million in written premiums. The GACM España Group's net income now exceeds €10 million.

At December 31, 2016, GACM’s shareholders’ equity was €9.6 billion, up 3.0% compared with 2015. The structure of GACM’s statement of financial position remains sound, which enables it to confidently contend with the increasingly competitive environment and the low interest rates that will continue to weigh on life insurance and financial returns.

VIII.1.2.1.2.3 - Real estate sector

CM-CIC IMMOBILIER SAS

The CM-CIC Immobilier subsidiary develops building plots and housing units through CM-CIC Aménagement Foncier, ATARAXIA Promotion and CM-CIC Réalisations Immobilières (SOFEDIM). It sells new housing units through CM-CIC Agence Immobilière (AFEDIM) and manages housing units on behalf of investors through CM-CIC Gestion Immobilière. It also participates in financing rounds related to real estate development transactions through CM-CIC Participations Immobilières.

Concerning new property sales, CM-CIC Agence Immobilière had a net number of 8,804 units in contract in 2016, up 34% from 2015 (+2,220); CM-CIC Gestion Immobilière had a total of 4,540 leases (+14%); and CM-CIC Aménagement Foncier recorded 1,110 building lots in contract (+17%). In terms of development, Ataraxia Promotion had 403 housing units in contract in 2016 compared with 439 in 2015.

VIII.1.2.1.2.4 - Technology sector

Euro-Information SAS

Euro-Information SAS acts as an IT sub-holding company for the Group. In particular, it finances all the Group's investments in IT and peripheral equipment as well as the technical subsidiaries' investments.

It recorded net income of €88.9 million in 2016, in line with projections. Banque Fédérative du Crédit Mutuel owns 13.83% of its capital.

Euro-Information Développements

Euro-Information Développements provides project management for all the Crédit Mutuel-CM11 Group's IT development and is responsible for upgrades to the single IT system shared by 15 Crédit Mutuel federations, the CIC banks and the various Crédit Mutuel and CIC business centers. In 2016, just over 579,000 man-days were devoted to upgrades and maintenance on the common IT system.

Euro-Information Telecom

The Group's full MVNO (Mobile Virtual Network Operator) operator sells its products under five different brands – Crédit Mutuel Mobile, CIC Mobile, NRJ Mobile, Cofidis Mobile and Auchan Telecom – and is the only operator that combines mobile phone services with banking products and services.

For EI Telecom, the year was marked by continued development in the B2B segment along three lines: retail, focusing mainly on the branch network (products aimed at SMEs); wholesale, a new product line developed by EI Telecom to provide mobile access to large corporates or business or general public MVNOs; and the development of a white label activity with the external distribution networks (signature of an agreement with Cdiscount).

EI Telecom achieved positive net customer growth by adding 50,000 customers for a total customer base of 1,566,000. In 2016, EI Telecom recorded its highest revenue (€436 million, up 7% compared with 2015) and its highest net income (€16 million) since its creation.

At the end of 2016, EI Telecom maintained and consolidated its position as the leading French MVNO in terms of number of customers, revenue generated during the year and net income. EI Telecom is also the only full MVNO connected in 2G/3G/4G to the three main network operators: Orange, SFR and Bouygues Telecom.

Euro Protection Surveillance

The Crédit Mutuel-CM11 Group's remote surveillance subsidiary continued to grow in 2016 and now has 415,000 subscribers (+6.5%), including 400,000 with active remote surveillance contracts (+6.7%) and nearly 12,200 with remote assistance contracts (+4.2%). EPS has consolidated its position as France's leading provider of residential remote surveillance with a market share of approximately 31%[3].

Revenue in 2016 was €150 million (up 5.4%) and net income was €23.6 million (up 13.3%).

Fivory electronic wallet

The number of partners behind the e-wallet app developed by the Group increased in 2016 to offer a solution consistent with new buying practices, by making both payment and certain aspects of the shopping experience electronic regardless of the distribution channel used. In June 2016, Auchan, Oney and MasterCard acquired a stake and, in October 2016, an agreement was reached with BNP Paribas to partner on the development of an innovative solution that will capitalize on each other's knowledge and partnerships (subject to prior authorization by the European Commission regarding merger control).

VIII.1.2.1.2.5 - Communications sector

Like in the past, the depressed economic conditions have continued to drag on advertising revenues. The decline in subscriptions has continued, linked in particular to a shift towards digital which is a focus of efforts and investment but whose growth is still insufficient. This situation is accompanied by ongoing efforts to reorganize so as to reduce costs and turn the situation around.

[3] *Source: Atlas de la Sécurité 2016 / internal data*

VIII.1.2.1.3 – Trends and outlook

The situation in Europe seems to be moving towards a period of moderate growth with, however, differences between advanced countries and emerging countries. The overall situation remains vulnerable in 2017, both economically and financially These uncertainties are dragging on growth which will remain slow, with an increase in regulatory pressures in our businesses, both in terms of new regulations and ratios and controls.

Our activities are closely linked to these uncertain trends.

VIII.1.2.2 - Resolutions of the Ordinary Shareholders' Meeting of May 3, 2017

VIII.1.2.2.1 - First resolution

The Shareholders' Meeting, having heard the reports of the Board of Directors and statutory auditors, approves the financial statements and the statement of financial position for 2016 as presented, which show a net profit of €269,287,297.83.

It also approves the transactions shown in the financial statements or summarized in these reports.

The Shareholders' Meeting grants the directors and statutory auditors full discharge of their duties for the year under review.

VIII.1.2.2.2 - Second resolution

The Shareholders' Meeting resolves to appropriate the net profit for the year in the amount of €269,287,297.83, plus the retained earnings from the previous year in the amount of €799,185.01, i.e. a total of €270,086,482.84, as follows:

- pay a dividend of €3.85 to each of the 33,770,590 shares carrying dividend rights for the full year, i.e. a total payout of €130,016,771.50. These dividends are eligible for deduction under Article 158 of the French Tax Code (*Code Général des Impôts* – CGI);
- not pay any amount to the legal reserve since it has reached the regulatory minimum of 10% of the share capital;
- transfer €140 million to the optional reserve; and
- transfer the balance of €69,711.34 to retained earnings.

In accordance with the legal provisions in force, we remind you that the dividends paid per share for the last three years were as follows:

Fiscal year	***2013***	***2014***	***2015***
Amount in €	€4.90	€4.15	€4.15
Dividend eligible for the deduction provided for in Article 158 of the French Tax Code (*Code Général des Impôts* – CGI)	Yes	Yes	Yes

VIII.1.2.2.3 - Third resolution

The Shareholders' Meeting approves the consolidated financial statements for the year ended December 31, 2016 as presented by the Board of Directors.

VIII.1.2.2.4 - Fourth resolution

The Shareholders' Meeting approves the agreements covered by Article L. 225-38 of the French Commercial Code (Code de Commerce) presented in the special report of the statutory auditors.

VIII.1.2.2.5 - Fifth resolution

Pursuant to Article L. 511-73 of the French Monetary and Financial Code (Code Monétaire et Financier), the Shareholders' Meeting issues a favorable opinion regarding the total amount of the remuneration specified in the Board of Directors' report. This amount includes remuneration of any kind paid during the year under review to the accountable managers and the categories of employees referred to in Article L. 511-71 of this same code.

VIII.1.2.2.6 - Sixth resolution

The Shareholders' Meeting renews the appointment of Mr. Hervé Brochard as a member of the Board of Directors for a three-year term.

His term of office will expire at the time of the Shareholders' Meeting called to approve the 2019 financial statements.

VIII.1.2.2.7 - Seventh resolution

The Shareholders' Meeting renews the appointment of Mr. Jean-Louis Girodot as a member of the Board of Directors for a three-year term.

His term of office will expire at the time of the Shareholders' Meeting called to approve the 2019 financial statements.

VIII.1.2.2.8 - Eighth resolution

The Shareholders' Meeting renews the appointment of Mr. Daniel Lievens as a member of the Board of Directors for a three-year term.

His term of office will expire at the time of the Shareholders' Meeting called to approve the 2019 financial statements.

VIII.1.2.2.9 - Ninth resolution

The Shareholders' Meeting renews the appointment of Mr. Gérard Oliger as a member of the Board of Directors for a three-year term.

His term of office will expire at the time of the Shareholders' Meeting called to approve the 2019 financial statements.

VIII.1.2.2.10 - Tenth resolution

The Shareholders' Meeting renews the appointment of Mr. Michel Vieux as a member of the Board of Directors for a three-year term.

His term of office will expire at the time of the Shareholders' Meeting called to approve the 2019 financial statements.

VIII.1.2.2.11 – Eleventh resolution

The Shareholders' Meeting renews the appointment of Mr. Nicolas Théry as a member of the Board of Directors for a three-year term.

His term of office will expire at the time of the Shareholders' Meeting called to approve the 2019 financial statements.

VIII.2 - Statutory Auditors' report on related party agreements and commitments

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

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
63, rue de Villiers	1/2, place des Saisons
92208 Neuilly-sur-Seine Cedex	92400 Courbevoie - Paris-La Défense 1
S.A.R.L. au capital de € 86.000 (limited liability company)	S.A.S. à capital variable (simplified stock company with variable capital)
Statutory Auditor	Statutory Auditor
Member of the regional association	Member of the regional association
of accountants of Versailles	of accountants of Versailles

Banque Fédérative du Crédit Mutuel

BFCM

General Meeting of Shareholders to approve the financial statements for the year ended December 31, 2016

Statutory auditors' report on related party agreements and commitments

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report to you on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms, conditions and reasons for the company's interest of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code (Code de Commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French commercial code (Code de Commerce) concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of Shareholders

Agreements and commitments authorized during the year under review

We hereby inform you that we have not been advised of any agreements or commitments authorized in the course of the year to be submitted to the General Meeting of Shareholders for approval in accordance with Article L. 225-38 of the French commercial code (Code de Commerce).

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE General Meeting of Shareholders

Agreements and commitments approved in prior years whose implementation continued during the year

In accordance with Article R. 225-30 of the French Commercial Code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years continued during the year.

1. With Mr Nicolas Théry, Chairman of the Board of Directors of your company

At the Board of Directors' meeting on November 14, 2014, Nicolas Théry was appointed Chairman of the Board of Directors of your company. The Remuneration Committee that met on that same day following the Board of Directors' meeting kept Nicolas Théry's compensation, not as an employee but as a corporate officer, at €450 thousand.

Besides, the Board of Directors' meeting on February 26, 2015 has decided the authorization of a termination benefit for Nicolas Théry, calculated based on the average of the last 12 months preceding the end of his term of office, subject to achievement of the performance condition set by the Remuneration Committee.

The termination indemnity of Nicolas Théry as Chairman of the Board of Directors currently represents an estimated commitment of €690 thousand (including social security expenses).

As an employee, Nicolas Théry is subject to the company supplementary pension rules of January 1, 2008. Consequently, the remuneration committee proposed that these pension scheme rules be applied to Nicolas Théry's compensation in his capacity as chairman of the board of directors, under the same conditions as all group employees. In respect of the supplementary pension scheme, the contributions paid by your company amounted to €18,690.12 in 2016.

In this regard, note that Nicolas Théry has been employed by the group since September 1, 2009 and that his employment contract was terminated with effect from December 1, 2014.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan, the conditions of which are the same as those that apply to the other employees of your company and for which the contributions paid to the insurance company covering this entire commitment amounted to €26,225.40 in 2016.

2. With Mr. Alain Fradin, Chief Executive Officer of your company

Nature, purpose and terms and conditions

On May 11, 2011, the Board of Directors decided to approve the proposals of the Remuneration Committee regarding the fixed and variable remuneration and other employee benefits of Alain Fradin.

On May 11, 2011, the Board of Directors also decided to approve the termination benefit of Alain Fradin, calculated based on the average of the last 12 months preceding the end of his term of office, subject to achievement of the performance condition set by the Remuneration Committee.

The termination indemnity of Alain Fradin as Chief Executive Officer currently represents an estimated commitment of €1,200 thousand (including social security expenses).

As an employee, Alain Fradin is subject to the company supplementary pension rules of January 1, 2008. The Remuneration Committee therefore proposed that these pension rules be applied to Alain Fradin's remuneration, as Chief Executive Officer, under the same conditions applicable to all Group employees. In respect of the supplementary pension scheme, the contributions paid by your company amounted to €18,690.12 in 2016.

However, it should be recalled that Alain Fradin has been an employee of the Group since June 1, 1983 and that his employment contract was suspended effective May 1, 2011.

As a corporate officer, Alain Fradin is also covered by a supplementary pension plan, the conditions of which are the same as those that apply to the other employees of your company and for which the contributions paid covering this entire commitment amounted to €40,977.12 in 2016.

Neuilly-sur-Seine and Paris-La Défense, April 12, 2017

French original signed by

The Statutory Auditors

Jacques Lévi Olivier Durand

VIII.3 - Other information

VIII.3.1 - Issuer's corporate name and trading name

Banque Fédérative du Crédit Mutuel (BFCM)

VIII.3.2 - BFCM's place of incorporation and registration number

Strasbourg B 355 801 929

APE/NAF code: 6419 Z

VIII.3.3 - BFCM's date of incorporation and term

The company was formed on June 1, 1933 under the name "Banque Mosellane". Except in the event of an extension or early dissolution, it will cease to exist on June 1, 2032.

VIII.3.4 - Registered office, legal form, legislation governing BFCM's activities, country of origin, telephone number of BFCM's registered office

BFCM is a French Société Anonyme à Conseil d'Administration (joint-stock company with a Board of Directors). As a credit institution and *société anonyme*, it is subject to a statutory audit by two registered auditors. The statutory auditors are appointed by the company's Shareholders' Meeting for a term of six years, subject to approval by the ACPR (French banking and insurance supervisory authority).

BFCM is governed by the provisions of the French Commercial Code (Code de commerce) regarding sociétés anonymes and by the laws applicable to French credit institutions, most of which are codified in the French Monetary and Financial Code (Code monétaire et financier). BFCM is a member of the French Banking Federation (FBF).

The legal documents related to BFCM may be consulted at the company's registered office at 34 rue du Wacken, 67000 Strasbourg, France. ☏ +33 (0)3 88 14 88 14

VIII.3.5 - Corporate purpose *(Article 2 of the company's bylaws)*

The company's purpose is to:

- organize and develop the diversification activities of the Group that it forms with the Crédit Mutuel Caisses under its authority, CF de CM and Fédération du Crédit Mutuel Centre Est Europe,
- carry out, for its own account, on behalf of third parties or on a joint basis, in France and elsewhere, all banking transactions and all related and ancillary transactions, all insurance brokerage activities and, more generally, all insurance intermediation activities, as well as all other transactions falling within a bank's scope of activity in accordance with the prevailing regulations and legislation,
- acquire and manage a direct or indirect shareholding in any French or foreign company through the formation of new companies, contributions, subscriptions or purchases of shares or ownership interests, mergers, associations or investments, investment banking groups or otherwise, and
- more generally, complete all financial, industrial, commercial, movable or immovable property transactions related directly or indirectly to the purposes referred to above or falling within a bank's scope of activity.

The company's purpose is also to provide investment services governed by the French Monetary and Financial Code.

VIII.3.6 - Financial year

The company's fiscal year runs from January 1 to December 31.

VIII.3.7 - Appropriation of profits *(Article 40 of the company's bylaws)*

After allocation to the legal reserve, if the financial statements for the year, as approved by the Shareholders' Meeting, show a distributable profit, the Shareholders' Meeting shall decide to allocate such profit to one or more reserve accounts whose allocation and use it shall determine, carry it forward as retained earnings or distribute it.

In case of a distribution, the dividends shall first be taken from the profits of the year under review.

After determining the existence of reserves at its disposal, the Shareholders' Meeting may decide to distribute sums taken from these reserves. In this case, the decision shall expressly indicate the reserves from which the amounts are to be taken.

The Shareholders' Meeting called to approve the financial statements for the year has the option to give each shareholder the choice between payment in cash or in shares, for all or part of the dividend paid out, in accordance with the prevailing legal provisions.

The Board of Directors may also decide to pay interim dividends, giving each shareholder the choice between payment in cash or in shares.

VIII.3.8 - Shareholders' Meetings

Shareholders' Meetings are convened by the Board of Directors through an announcement in a publication that carries legal notices serving the area where the registered office is located. Notice of the meeting is also given through an individual letter sent by ordinary mail to shareholders who have held registered shares for at least one month as of the publication date of the above announcement.

Since the capital consists entirely of ordinary shares, one share entitles the holder to one vote. There are no double voting rights.

Furthermore, the company's bylaws do not provide for a reporting threshold. BFCM's capital is "closed" (see Article 10 of BFCM's bylaws under the section entitled "Additional specific provisions related to the issuer").

VIII.3.9 - Additional specific provisions related to the issuer

Shareholding structure:

Conditions for admission of shareholders (extract from Article 10 of BFCM's bylaws)

The only shareholders of the company shall be:

1. Fédération du Crédit Mutuel du Centre Est Europe, CF de CM and the "Assurances du Crédit Mutuel - Vie" mutual insurance company;
2. the Crédit Mutuel Caisses and the other cooperative and mutual bodies that are members of the Crédit Mutuel Centre Est Europe, Crédit Mutuel du Sud-Est, Crédit Mutuel d'Ile-de-France, Crédit Mutuel Savoie Mont-Blanc, Crédit Mutuel Midi-Atlantique, Crédit Mutuel Loire-Atlantique Centre-Ouest, Crédit Mutuel du Centre, Crédit Mutuel de Normandie, Crédit Mutuel Dauphiné-Vivarais, Crédit Mutuel Méditerranéen and Crédit Mutuel d'Anjou federations;
3. the departmental and interdepartmental Caisses and Caisse Centrale du Crédit Mutuel covered by Article 5-1, paragraphs 3 and 4, of the order of October 16, 1958; the subsidiaries or associated companies of the entities covered by points 2 and 3 above and controlled by one or more departmental or interdepartmental Caisses.
4. the members of the company's Board of Directors.

Individuals or legal entities that do not fall into any of the above categories and remain owners of the company's shares may retain their shares in their personal capacity.

The provisions of this article may be modified only after obtaining approval from the Chambre Syndicale de la Fédération du Crédit Mutuel Centre Est Europe and the Shareholders' Meeting of CF de CM.

Transfer of BFCM shares

The shares are fully tradable; however, share ownership may only be transferred between legal entities or individuals who meet the above conditions and subject to approval by the Board of Directors (Article 11 of the company's bylaws).

Amount of the subscribed capital, number and class of shares that make up the share capital

The share capital amounts to €1,688,529,500.00 and is divided into 33,770,590 shares of €50 each, all belonging to the same class.

Unissued authorized capital

None.

Exchangeable or redeemable convertible bonds that give access to the capital

None.

Statement of changes in capital

See "Five-year financial summary" in the chapter entitled "Financial elements of BFCM's corporate financial statements".

Market for the issuer's shares

BFCM's shares are not quoted or traded on any market.

Dividends

Changes in earnings and dividends:

	2012	**2013**	**2014**	**2015**	**2016**
Number of shares at December 31	26,532,613	26,585,134	31,467,593	33,770,590	33,770,590
Net income (€ per share)	24.48	11.72	11.79	10.15	7.97
Gross dividend (€ per share)	2.65	4.90	4.15	4.15	3.85

Unclaimed dividends are subject to the provisions of Article L. 27-3 of the Code of State-Owned Property (*Code du Domaine de l'Etat*) which states that:

"…Deposits of sums of money and, more generally, all cash assets held at banks, credit institutions and all other establishments that receive funds on deposit or in current accounts, when such deposits or assets have not been subject to any transaction or claim for 30 years by those entitled to such sums, shall definitively revert to the State..." "

VIII.3.10 - Financial information contained in this Registration Document which is not taken from the issuer's audited financial statements

Financial information contained in this Registration Document which is not taken from the issuer's audited financial statements includes the following points extracted from the following sections:

Presentation of CM11 Group and BFCM Group
CM11 Group's organization and business lines (I.3)

Financial information about BFCM Group - Risk report
Interbank loans (V.2.3.1.2.3)
Interest-rate risk management (V.2.3.3.2)
Risk management (V.2.3.3.3)
The European solvency ratio (ESR) (V.2.3.4)
Operational risk (V.2.3.5)

VIII.3.11 - Date of the latest financial information

The date of BFCM's latest reported financial information is December 31, 2016.

VIII.3.12 - Half-year information

Not applicable.

VIII.3.13 - Material change in the issuer's financial position

There have been no material changes in BFCM Group’s financial or commercial position since the publication on February 23, 2017 of the financial statements for the year ended December 31, 2016. Similarly, there has been no material adverse change in BFCM’s outlook since that date.

VIII.3.14 - Recent events specific to BFCM which have a material impact on the measurement of its solvency

There have been no material changes in the Group’s financial or commercial position since the end of the last year for which audited financial statements were published which are likely to affect its solvency.

VIII.3.15 - Earnings forecasts and estimates

Not applicable.

VIII.3.16 - Major contracts

There are no major contracts signed by BFCM that could impact BFCM's financial situation such that it would be unable to meet its obligations toward the holders of securities issued by it.

VIII.3.17 - Information from third parties, experts' declarations and declarations of interest

Not applicable.

VIII.3.18 - Legal and arbitration proceedings

With regard to the case concerning check image transfer fees, the French antitrust authority had appealed the decision of the Paris Court of Appeal canceling the fines levied against the banks. The ruling by the Cour de Cassation (highest court of appeal) was handed down on April 14, 2015. Without reviewing the legal arguments of the banks, the Cour de Cassation reversed the Court of Appeal’s decision on procedural grounds, namely that after having rejected the arguments of the antitrust authorities, the Court of Appeal concluded that there were no grounds to examine the arguments put forth by two consumer associations in support of the position of the competition authorities. Following this reversal, in September 2015, the case was once again remanded to the Paris Court of Appeal. The case was heard on November 3 and 4, 2016. The Court of Appeal will render its decision on May 11, 2017.

There are no other pending or threatened government, judicial or arbitration proceedings, including any proceeding of which the company is aware, that may have or has had, during the past 12 months, material impacts on the financial position or profitability of the company and/or Group.

IX. ADDITIONAL INFORMATION

IX.1 - Documents available to the public

During the effective period of this Registration Document, the following documents (or copies thereof) may be consulted :

By accessing BFCM's website (Institutional site)

http://www.bfcm.creditmutuel.fr

- Historical financial information on BFCM and the CM11 Group for each of the two financial years preceding publication of this Registration Document.
- This Registration Document and those for the two preceding fiscal years.

In document form

- The issuer's articles of incorporation and bylaws.
- All reports, mail and other documents, historical financial information, assessments and declarations compiled by an expert at the issuer's request, a part of which is included or referred to in this Registration Document.
- Historical financial information on BFCM's subsidiaries for each of the two financial years preceding publication of this Registration Document.

By mailing a written request to:

Banque Fédérative du Crédit Mutuel

Département Juridique

34 Rue du Wacken BP 412

67002 Strasbourg Cedex

IX.2 - Person responsible for the information

Mr. Marc Bauer

Deputy Chief Operating Officer of BFCM and Chief Financial Officer of CM11 Group

Telephone: +33 (0)3 88 14 68 03

E-mail: marc.bauer@creditmutuel.fr

IX.3 - Person responsible for the Registration Document

Mr. Alain Fradin, Chief Executive Officer of Caisse Fédérale de Crédit Mutuel.

Declaration of the person responsible

After taking all reasonable measures to this effect, I declare that, to the best of my knowledge, the information contained in this Registration Document is consistent with the facts and does not contain such omissions as may adversely affect its scope.

I declare that, to the best of my knowledge, the financial statements are drawn up in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the company and of all the companies included in the consolidation scope, and that the management report, the contents of which are indicated in the cross-reference table on pages 462 and 464, gives a true and fair view of changes in the business, results and financial position of the company and of all the companies included in the consolidation scope as well as a description of the main risks and uncertainties faced by those companies.

I have obtained from the statutory auditors of the financial statements, KPMG Audit and Ernst & Young et Autres, a completion letter, in which they indicate that they have audited the financial position and the financial statements provided in this document and read the entire document.

Executed in Strasbourg, April 27, 2016

IX.4 - Statutory Auditors

IX.4.1 - Principal Statutory Auditors

Ernst & Young et Autres, member of the Regional Institute of Accountants of Versailles, represented by Olivier Durand, 1/2, place des Saisons, 92400 Courbevoie Paris-La-Défense 1.

Start date of first term of office: September 29, 1992.

Current term of office: six fiscal years with effect from May 12, 2010.

Reappointment: the Shareholders' Meeting reappointed Ernst & Young et Autres as Principal Statutory Auditors for a period of six years, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2021.

PRICEWATERHOUSE COOPERS France, member of the Regional Institute of Versailles – represented by Jacques Lévi – 63, rue de Villiers 92200 Neuilly-sur-Seine.

Start date of first term of office: May 11, 2016.

Current term of office: six fiscal years with effect from May 11, 2016.

The Shareholders' Meeting appointed Pricewaterhouse Coopers France as Principal Statutory Auditor of the company and consolidated financial statements for a period of six years, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2021, to replace KPMG Audit, whose term of office is expiring.

IX.4.2 - Alternate Statutory Auditors:

Cabinet Picarle & Associés, Jean-Baptiste Deschryver.

IX.4.3 - Resignation and non-renewal

Non renewal : KPMG Audit, M. Malcom Mc Larty

IX.5 - CM11 Group Registration Document cross-reference table

In order to facilitate the use of this Registration Document, the following cross-reference table identifies the main headings required by Annex 11 of European Regulation No. 809/2004 pursuant to the so-called "Prospectus" Directive.

Pursuant to Article 28 of European Regulation no. 809-2004 on prospectuses and Article 212-11 of the General Regulations of the Autorité des Marchés Financiers, the following items are included by way of reference:

- The consolidated financial statements and management report and Statutory Auditors' report on the consolidated financial statements as of December 31, 2015, presented respectively for the Group on pages 114 to 164, 64 to 113 and 165 to 166 of the Group's 2015 Registration Document, registered by the AMF on April 29, 2016 under No. D.16-0442.
- The consolidated financial statements and management report and Statutory Auditors' report on the consolidated financial statements as of December 31, 2015, the extract of company financial statements including the management report for the fiscal year ended December 31, 2015, presented respectively for BFCM on pages 247 to 296, 213 to 246, 297 to 298 and 299 to 337 of the Group's 2015 Registration Document, registered by the AMF on April 29, 2016 under No. D.16-0442.
- The consolidated financial statements and management report and Statutory Auditors' report on the consolidated financial statements as of December 31, 2014, presented respectively for the Group on pages 111 to 159, 62 to 110 and 160 to 161 of the Group's 2014 Registration Document, registered by the AMF on May 29, 2015 under No. R.15-047.
- The consolidated financial statements and management report and Statutory Auditors' report on the consolidated financial statements as of December 31, 2014, the extract of company financial statements including the management report for the fiscal year ended December 31, 2014, presented respectively for BFCM on pages 226 to 274, 195 to 226, 275 to 276 and 277 to 315 of the Group's 2014 Registration Document, registered by the AMF on May 29, 2015 under No. R.15-047.

The following thematic table identifies principal information required in the annual financial report pursuant to Article L.451-1-2 of the French Monetary and Financial Code and by Article 222-3 of the AMF's general regulations.

Registration Document cross-reference table to information required in BFCM's annual financial report	PAGES
Declaration by the person responsible for the registration document	461
Board of Directors' management report	
Financial review of 2015	245
Board of Directors	38
BFCM's main activities	19/252/432
Information on the activities and results of the subsidiaries and companies controlled (Article L233-6 of the French Commercial Code)	435
Trends and outlook	257
Financial information relating to BFCM's financial statements	338
KEY FINANCIAL POINTS RELATING TO BFCM'S ANNUAL FINANCIAL STATEMENTS	245
Appendix to the management report (list of mandates and functions exercised during the 2015 financial year (article L225-102-1 of the French Commercial Code)	38
Corporate social and environmental responsibility and related Auditors' Report	371
Financial statements	
Parent company financial statements	340
Statutory Auditors' report on the parent company financial statements	368
Consolidated financial statements	284
Statutory Auditors' Report on the Consolidated Financial Statements	335

Pursuant to Articles 212-13 and 221-1 of the AMF's General Regulations, the following information is also published: *• statutory auditors' fees* *• the Chairman of the Board of Directors' report on the conditions for preparing and organizing the Board's work and internal control procedures, together with the related Statutory Auditors' report*	 334 54/69

X. GLOSSARY

This glossary contains certain technical terms and abbreviations used throughout the document.
The list is not exhaustive.

TERM	**DEFINITION**
€m	In € millions
ABCP***	*Asset-Backed Commercial Paper*: money market security whose payments are derived from cash flows from a pool of underlying assets. ABCP conduits: off-balance sheet securitization vehicles used to finance a variety of bank assets through commercial paper with maturities of less than one year.
ABS***	*Asset-Backed Securities*: securities representing a pool of financial assets, excluding mortgage loans, whose cash flows are derived from the underlying asset or pool of assets.
ACPR	*Autorité de contrôle prudentiel et de résolution*. French prudential supervision and resolution authority for the banking and insurance sectors.
Add-on**	Additional requirement.
AERAS agreement****	The AERAS agreement is designed to facilitate access to insurance and credit for people with an increased health risk. It was signed in July 2006 and took effect in January 2007. It replaced the Belorgey agreement, signed in September 2001, between the government, banks, insurance companies, and consumer and patient associations to facilitate access to insurance and credit for people with an increased health risk. The AERAS agreement improves on the previous commitment in a number of ways.
AFS	*Available for sale*.
AGIRC	*Association générale des institutions de retraite des cadres* (pension plan for executives).
A-IRB	*Advanced internal ratings-based approach*. Institutions provide internal estimates for all parameters. This approach requires historical data with a large enough statistical base to calculate the value of the parameters.
ALM	*Asset and Liability Management*: all the management tools and techniques that aim to measure, control and analyze overall on- and off-balance sheet financial risks (primarily liquidity and interest rate risks).
AM	*Asset Management*.
AMA	Advanced Measurement Approach: optional approach requiring individual authorization by the regulator. The institution's request must be submitted as a formal application for authorization. In the absence of authorization to use the advanced approach, regulated institutions apply the standardized or even basic indicator approach. The latter may therefore be considered the standard procedure applicable by default.
AMAFI	French association of financial market professionals in France. AMAFI's members are mostly investment firms, credit institutions and market infrastructure operators.
AMF	*Autorité des Marchés Financiers* (French financial markets authority).
AML-CTF	Anti-money laundering and counter-terrorist financing.
ANI (*Accord National Interprofessionnel*)	This national multi-industry agreement, entered into by employees and management on January 11, 2013, amends the social rights of both parties. It makes advances on employee rights, such as universal access to a group insurance plan, and toughens conditions for the use of precarious work (by taxing short fixed-term contracts, for example). For the insurance

	business and with respect to access to supplemental coverage of health-care costs: funding for this insurance plan is divided evenly between employees and employers. The agreements negotiated entered into force at the affected companies no later than January 1, 2016.
AQR	*Asset quality review*. The EBA has recommended that national supervisors coordinate the bank asset quality reviews with the timetable for the European *stress test* exercise. The asset quality reviews will verify that assets have been classified and properly valued to remove any remaining doubts as to the quality of European banks' balance sheets. This work was completed prior to the *stress test* exercise.
Arbitrage Arbitration	On a market, a transaction involving the sale of a security, financial product or currency in order to buy a different one; for a life insurance policy, a transaction that involves transferring some or all of the savings from one vehicle to another. Legal term for a form of alternative dispute settlement. In arbitration, the resolution of a dispute is referred to a third party, the arbitrator, who is selected by the parties and whose decision is binding thereon (as opposed to mediation).
ARRCO	*Association pour le régime de retraite complémentaire des salariés* (supplemental pension plan for employees)
AT1**	Additional Tier 1 (AT1) capital consists of perpetual debt instruments, with no incentive or obligation to redeem (in particular step-ups in interest rates). AT1 instruments are subject to a loss absorption mechanism which is triggered when the CET1 ratio is below a minimum threshold of 5.125%. The instruments may be converted into shares or their nominal value may be reduced. Total payment flexibility is required: automatic payments are prohibited and coupon payments may be canceled at the issuer's discretion.
Back office	Department responsible for the administrative and accounting functions required to make trades.
Bail-in	For the purpose of taking systemic risk into account, *bail-in* involves converting subordinated debt into equity to absorb the institution's losses. It allows the authorities to force banks to recapitalize with private capital and not with public funds.
Bank savings products	Off-balance sheet savings outstandings held by our customers or held in custody (securities accounts, UCITS, etc.) — management data (group entities).
Banking book**	All assets and off-balance sheet items not in the trading book.
Basel Committee	Forum where banking supervision matters are addressed on a regular basis (four times a year). It is hosted by the Bank for International Settlements in Basel.
Basel I (the Basel Accords)	Prudential framework established in 1988 by the Basel Committee to safeguard the solvency and stability of the international banking system by setting, at the international level, a uniform minimum amount of capital that banks should hold. It introduces a minimum ratio of capital to total risks borne by the bank of 8%.
Basel II (the Basel Accords)	Prudential framework intended to better assess and limit the risks borne by credit institutions. It has three complementary and interdependent pillars: • Pillar I, core minimum capital requirements: it sought to ensure that institutions had sufficient capital to cover credit, market and operational risks. The ratio of equity divided by the sum of credit, market and operational risks must not be lower than 8%. • Pillar II introduced the principle of supervisory review. • Pillar III focused on market discipline. It sought to improve banks' financial transparency by requiring that they disclose the information third parties would need to understand their

	capital adequacy.
Basel III (the Basel Accords)	In 2009, the Basel Committee announced several sets of measures designed to strengthen financial supervision and regulation. New rules were published to strengthen the Basel II framework with regard to prudential coverage of market risks and securitization transactions; risk management under Pillar II; and transparency under Pillar III.
BCBS 239	*Basel Committee on Banking Supervision*. In January 2013, the Basel Committee issued its "*Principles for effective risk data aggregation and risk reporting*" to enhance banks' ability to aggregate their risk data. These principles cover systemic banks (G-SIBs) and were set to take effect on January 1, 2016. The directive consists of 14 principles including 11 for banking institutions (governance and infrastructure, risk data aggregation capabilities and risk reporting practices) and 3 for regulators (supervisory review, tools and cooperation).
Bond (security)*	A bond is a portion of a loan issued by an issuer, i.e., a company, public-sector entity or national government. An investor in a bond becomes the lender and therefore the issuer's creditor. In exchange for this loan, the investor generally receives interest paid periodically (the coupon). The capital (nominal amount) is in theory repaid at maturity. Reselling a bond before maturity may result in a gain or a loss.
Bps	*Basis points*
Branch**	A branch is a place of business that has no legal personality, is established in a Member State other than that in which the head office is located, and through which a credit institution, investment firm, payment institution or electronic money institution provides a banking or payment service or issues and manages electronic money through a permanent presence in that Member State.
Broker	Market intermediary that buys and sells on behalf of its clients.
CAD	*Capital Adequacy Directive*: European directive of March 15, 1993 imposing capital requirements on investment firms and credit institutions. This directive formed part of the liberalization of European financial services.
Capital buffers**	Under CRD 4, institutions may be subject to additional capital requirements, i.e., "capital buffers." These four buffers aim to take into account stages of the economic cycle and macroeconomic or systemic risk. They are all made up entirely of instruments eligible as CET1. They are: 1) the capital conservation buffer, which applies to all banks and is mandatorily set at 2.5% of risk-weighted assets; 2) the countercyclical capital buffer, established in the event of excessive credit growth (in particular deviations of the credit/net banking income ratio); 3) the buffer for systemically important institutions, which aims to reduce the risk that big banks will fail by strengthening their capital requirements; and 4) the systemic risk buffer, which aims to limit long-term, non-cyclical macroprudential or systemic risks.
Capital requirement	The amount of the capital requirement is determined by applying a rate of 8% to risk-weighted assets (RWAs).
Cash flow hedge	Hedge of the exposure to variability in the cash flows of a recognized asset or liability or of a highly probable forecast transaction and that could affect profit or loss.
CCF	*Credit Conversion Factor*. This is the ratio between (i) the unused amount of a commitment that could be drawn and at risk at the time of a default and (ii) the amount of the commitment not yet used. Under the standardized approach, the regulator determines this factor. Under the internal ratings-based (IRB) approach, the CCF is calculated by the bank based on a

	review of its own customers' behavior.
CDD	*Contrat de travail à durée déterminée* (fixed-term contract)
CDI	*Contrat de travail à durée indéterminée* (permanent contract)
CDS**	*Credit Default Swap*. Contract whereby an institution that would like to protect against the risk of non-payment of a loan it holds makes regular payments to a third party in exchange for which it receives a predetermined amount should the default in fact occur.
CET1 ratio	Ratio of Common Equity Tier 1 to risk-weighted assets, in accordance with CRD 4/CRR rules.
CET1**	Common Equity Tier 1 (CET1) consists of capital stock instruments and the associated share premiums, reserves, retained earnings and the general banking risks reserve. Total flexibility of payments is required and the instruments must be perpetual.
CGU (cash-generating unit)	The smallest group of identifiable assets whose cash flow is largely independent of the cash flows generated by other assets or groups of assets, in accordance with IAS 36.
CHF	Swiss franc.
CHSCT	*Comité d'hygiène, de sécurité et des conditions de travail* (Committee for Hygiene, Safety and Working Conditions).
CIU*	A CIU is a collective investment undertaking (an "investment fund") which pools the savings of a large number of investors in order to invest in marketable securities (shares, bonds, etc.) or in real estate (for OPCIs). These savings are invested by professionals (management companies) in a diversified manner in accordance with a stated strategy: investments in French, international or other equities, or in euro-denominated or foreign currency-denominated bonds, diversified investments in equities and bonds, etc. Fees are charged every year ("ongoing fees") for this professional management service. CIUs are subject to authorization by the AMF or another European authority.
Clearing**	A mechanism that enables banks and financial institutions that are clearing house members to carry out transactions. A transaction always has a debtor and a creditor. Clearing reflects the book entry in the accounts that gives effect to the transaction. The credit to the creditor's account is said to "clear" the debit from the debtor's account.
CLO	*Collateralized Loan Obligations*: securitization of loans of various sizes structured into multiple tranches.
CMBS	*Commercial Mortgage-Backed Securities*: they result from the securitization of commercial mortgages commonly issued on the US capital markets.
CNIL	*Commission nationale de l'informatique et des libertés* (French data protection authority). Established by French data protection act no. 78-17 of January 6, 1978. This is an independent administrative authority whose primary mission is to protect privacy and individual and public liberties.
Collateral***	A transferable asset or guarantee provided as a pledge to repay a loan if the beneficiary of the loan is unable to meet its payment obligations.
Collective provisions	Application of IAS 39, which requires a collective review of loans, supplementing the individual review, and the recognition, where applicable, of the corresponding collective provision (IAS 39 §58 to 65 and application guidance §84 to 92). These general provisions are calculated on customer loans rated E+ in the "*Retail*" and "*Corporate*" regulatory

	categories. The collective provision is calculated as a % by major family of commitment.
Contingency and disaster recovery plan	Article 10 of the Order of November 3, 2014 on internal control of banking sector, payment service and investment service companies subject to ACPR supervision defines the contingency and disaster recovery plan as the set of measures designed to ensure, in a variety of crisis scenarios including severe disruptions, the continuity, if necessary on a temporary or impaired basis, of essential or important services or other administrative tasks of a regulated company and the planned resumption of its activities, and to limit its losses.
COREP	Name for the prudential *reporting* promoted by the Committee of European Banking Supervisors (CEBS). COREP stands for *COmmon solvency ratio REPorting*. This was a joint decision by all European banking supervisors on the European capital adequacy ratio (CAD3 = *Capital Adequacy Directive*[3]), which transposes the Basel II Accords into European law. The aim was, in particular, to reduce the administrative burden on institutions operating in several European markets and to facilitate cooperation among the supervisory authorities. The harmonization of the financial (FINREP) and prudential (COREP) *reporting* framework was approved by the CEBS. It is part of the necessary convergence of regulatory reporting, arising from implementation of new IFRS and the Basel II reform.
Corporate actions	Corporate actions.
Cost/income ratio	Ratio calculated using consolidated income statement items: ratio of general operating expenses (sum of the “General operating expenses” and “Movements in depreciation, amortization and provisions for property and equipment and intangible assets” lines on the consolidated income statement) to “IFRS net banking income.”
Country risk/Sovereign risk	Sovereign risk concerns only commitments made with regard to a state or any entity related or equivalent to the state. It differs from country risk, which encompasses the risk exposure associated with any type of private and/or public counterparty in a single country.
Covered bond	Bond where the payment of interest and repayment of the nominal amount are guaranteed by prime mortgages or loans to the public sector on which investors have a priority claim.
Covered bonds	Simple securitization instruments. They are comparable to traditional bonds but differ in that they offer protection in the event of the bond issuer’s insolvency: *covered bonds* are backed by a *pool* of assets, allowing payments to be made to bondholders. *Covered bonds* are usually backed by mortgages or public sector (local government) debt.
CRBF	*Comité de réglementation bancaire et financière* (French Banking and Financial Regulation Committee) — This committee's mission is to specify, “within the scope of the guidelines defined by the government and subject to the powers of the *Comité de la réglementation comptable* [French accounting regulation committee], the general requirements applicable to credit institutions and investment firms.”
CRD	European *Capital Requirements Directive*.
CRD 4	European directive that transposes the proposals in the Basel III Accords, defining the rules on bank capital. More specifically, it provides a harmonized definition of capital, proposes rules on liquidity, and seeks to address pro-cyclicality.
Credit and counterparty	Risk of loss due to the default of a customer or counterparty.

risk	
Credit default swap (CDS)***	A bilateral financial contract whereby the protection buyer periodically pays a premium to the protection seller, who in turn promises to compensate for any losses on a reference asset (a bond issued by a government, financial institution or company) upon the occurrence of a credit event (bankruptcy, default, deferred payment or restructuring). It is a mechanism to protect against credit risk.
CRR under Pillar III	European *Capital Requirements Regulation* (like CRD 4), which aims to stabilize and strengthen the banking system by forcing banks to set aside more capital, including high-quality capital, to mitigate the effects of crises.
CSR	Corporate social responsibility — the concept of CSR as a whole (that of "overall responsibility") means all the economic, social, societal, environmental and governance commitments made by a public or private organization, in the most concerted and open way possible, to implement an integrated sustainable performance strategy that is relevant and has a motivating impact on its shareholders, members, customers and employees and on the regions in which it operates.
Currency risk	Risk to which the bank is exposed when it holds an asset or liability in a foreign currency, due to exchange rate fluctuations.
Customer funds invested in group savings products	Sum of bank deposits, insurance savings products and bank savings products.
CVA	*Credit Valuation Adjustment*: accounting adjustment, introduced by IAS 39, to the fair value measurement of OTC derivatives (interest-rate *swaps* whether or not they are collateralized, etc.). The adjustment involves incorporating into the products' valuation a discount equal to the market value of the counterparty default risk. Technically, this means measuring the difference between the risk-free value of an OTC trading book in the absence of default risk and its value taking into account potential counterparty default. The CVA is reflected in the accounts with a provision to protect against statistically expected losses. Over time, these provisions change along with the exposures (new contracts, expired contracts) and the credit quality of the counterparties. In prudential terms, CRD 4 introduced a capital requirement for the CVA in January 2014. This requirement is intended to cover unexpected losses resulting from significant changes in the CVA related to sharp and rapid deteriorations in the credit quality of the counterparties (significant increases in credit spreads). These scenarios are not captured in the above-referenced CVA provision.
Deferred tax asset	This arises from timing or temporary differences between accounting charges and tax charges.
Delegated act format	The delegated act procedure allows the EU parliament to delegate to the European Commission the power to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of a legislative act.
Deposits	The "Amounts due to customers" line on the liabilities side of the consolidated balance sheet.
Derivative*	Financial instrument whose price depends on the price of another instrument (share, bond, etc.) which professionals call the "underlying."

Derivatives	Financial instruments whose value depends on an underlying commodity or marketable security, such as oil or grain prices, for example, or interest rates and monetary developments. They may be used in different ways, including as insurance against certain risks or for investment or speculative purposes.
Desk	Each desk on a trading floor specializes in a particular product or market segment.
Downgrade/upgrade	*Rating downgrade - rating upgrade*.
DVA	*Debt Valuation Adjustment*: accounting adjustment in the form of a provision, introduced in January 2013 by IFRS 13, for the fair value measurement of OTC derivatives. It matches the CVA provision in that it is an adjustment which aims to reflect the bank's own credit risk that it inflicts on its counterparty. The amount of the DVA, an adjustment to one of the bank's financial liabilities, corresponds overall to the CVA recognized as an asset by the counterparty with which the derivative contract has been made. The methods for calculating the DVA provision mirror those used to determine the CVA provision and therefore depend on the bank's own credit factors, i.e., its probability of default, market spread, recovery rate in the event of default, etc. Unlike the CVA, the risk reflected by the DVA is not subject to capital requirements.
EBA	European Banking Authority: European supervisory authority that replaced the Committee of European Banking Supervisors (CEBS). It seeks to promote harmonized and more reliable European standards. It has even more powers than the CEBS as it can override national supervisors in an emergency. In addition to the new *stress tests*, the EBA must ensure application of new international solvency and liquidity standards.
ECB	European Central Bank
EMTN***	Debt security generally maturing in 5 to 10 years. These securities can have widely varying characteristics depending on the issue programs, in particular structures presenting differing degrees of complexity in terms of interest or guaranteed capital.
Eonia	*Euro OverNight Index Average*: the daily benchmark rate for unsecured (i.e., not backed by securities) interbank deposits made overnight in the eurozone.
Equity	*Private equity*.
ESR	European solvency ratio.
ETF*	*Exchange Traded Funds*: funds that reproduce changes in a given index When investors buy an ETF, they are exposed to rises and falls in the securities that make up the index in question without having to buy them. An ETF can be bought or sold on the exchange throughout the trading day just like traditional shares. ETFs are subject to authorization by the AMF or another European authority.
EU	European Union.
EUR	Euro.
Euribor	*Euro Interbank Offered Rate*: benchmark rate for the money market in the eurozone.
European Securities and Markets Authority (ESMA)	ESMA is one of the new European Supervisory Authorities (ESAs) that, along with the national supervisory authorities, make up the European System of Financial Supervisors.

Expected loss	See EL.
Expected loss (EL)	Loss expected in the event of default. EL is determined by multiplying exposure at default (EAD) by probability of default (PD) and by loss given default (LGD).
Expected Loss (EL)	See EL.
Exposure at default (EAD)	Likely amount of exposure at risk at the time of default. This concerns the institution's on- and off-balance sheet exposures in the event of counterparty default. Off-balance sheet exposures are converted to a balance sheet equivalent using internal or regulatory conversion factors.
External credit rating agency	An external credit assessment institution registered or certified in accordance with European regulations or a central bank that assigns credit ratings.
Fair value	Market value. Price at which an asset can be sold if there is an open and active market for trading the asset.
Fair value hedge	Hedge of exposure to changes in the fair value of a financial instrument that is attributable to a particular risk and could affect profit or loss.
FATCA	*The Foreign Account Tax Compliance Act* was passed on March 18, 2010 and took effect in July 2014.
FATF	Financial Action Task Force: Intergovernmental body created in 1989 by the ministers of its member states. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
FBF	*Fédération bancaire française* (French banking federation). Trade organization that brings together all banks in France.
FCPR	*Fonds commun de placement à risque* (venture capital fund).
Fed	*Federal Reserve System*/US central bank.
Financial Stability Board (FSB)	Established in 1999 at the G7's initiative as the *Financial Stability Forum* (FSF). It is made up of 26 national financial authorities (central banks, finance ministries, etc.) and several international organizations and bodies that develop financial stability standards. It facilitates cooperation in the supervision and oversight of financial institutions. Its secretariat is hosted by the Bank for International Settlements in Basel.
F-IRB	*Foundation internal ratings-based approach*. Institutions provide internal estimates of probabilities of default (PD). The other parameters are still specified by the regulators.
FRA	*Forward rate agreement*.
Front office	Traders on the trading floor who handle market, foreign currency and interest rate transactions.
FSB	*Financial Stability Board*: Established in 1999 at the G7's initiative as the *Financial Stability Forum* (FSF). It is made up of 26 national financial authorities (central banks, finance ministries, etc.) and several international organizations and bodies that develop financial stability standards. It facilitates cooperation in the supervision and oversight of financial institutions. Its secretariat is hosted by the Bank for International Settlements in Basel.
FTE	Full-time equivalent.

FVA (Funding Valuation Adjustment)	Adjustment to the price of a financial product that accounts for funding costs. It concerns, in particular, trades in derivatives on the OTC market that are not hedged or imperfectly hedged and represents the *net present value* (NPV) of the additional funding cost to hedge these trades. FVAs are reflected in the accounts with a provision. Unlike the CVA, the risk reflected by the FVA is not subject to capital requirements.
GAAP**	*Generally accepted accounting principles*: Accounting standards in force in the United States, defined by the FASB.
GBP	British pound.
GDP	Gross domestic product.
General operating expenses	These correspond to the sum of "Employee expenses" (note 29a to the consolidated financial statements), "Other operating expenses" (note 33) and "Movements in depreciation, amortization and provisions for property and equipment and intangible assets" (note 34). The terms "general operating expenses" and "operating expenses" are used interchangeably throughout the document.
Gross exposure	Exposure before accounting for provisions, adjustments and risk mitigation techniques.
G-SIFIs (Global Systemically Important Financial Institutions)	The 28 global systemically important banks; the list is updated every year.
Hedge funds	Investment fund whose management objective is set in terms of absolute return. It seeks to obtain the maximum return on invested capital by using *hedging*, arbitrage and leverage techniques.
HQLA	High quality liquid assets.
Hybrid (security)	Security that combines the characteristics of equity and debt (convertible bonds, equity notes, etc.).
Hybrid instruments	Hybrid securities are financial products that combine the characteristics of several types of marketable securities. They fall somewhere between pure debt and a company's capital. The funding represented by these hybrid securities is often called quasi-equity. For example, a convertible bond is a hybrid security, since the debt security that the convertible bond represents may be converted into an equity security.
IARD	*Incendie, Accidents et Risques Divers* (property and casualty insurance)
IAS	International Accounting Standards.
iBoxx	Index made up of bonds with a range of maturities.
ICAAP	*Internal Capital Adequacy Assessment Process*: Regulatory procedure for assessing whether banks have sufficient capital to cover all the risks to which they are exposed. The ICAAP must describe the procedures for calculating and stress-testing the institution's various risks. The supervisor approves the institution's ICAAP once a year.
IFRS	*International Financial Reporting Standards*.
IFRS	*International Financial Reporting Standards*: standards established by the *International Accounting Standards Board* (IASB). These standards apply to all states that wish to adopt

	them (EU states have done so). Unlike CNC (*Conseil national de la comptabilité*, French national accounting board) standards, which favor measurement of transactions at historical cost (acquisition cost), IFRS favor measurement of transactions at market value ("fair value").
IGRS	*Institution de gestion de retraite supplémentaire* (French supplementary pension management institution).
ILAAP (Internal Liquidity Adequacy Assessment Process)	Regulatory procedure for evaluating whether an institution's position is sufficient to cover liquidity risk. The principle is to determine what measures the institution is implementing to control and mitigate this risk.
Impairment***	Accounting recognition of a probable loss on an asset.
Incremental Risk Charge (IRC)	The Basel Committee sought to strengthen its framework by proposing that a standard be adopted to supplement the existing framework, with an "incremental" charge intended to cover the risks of default and of credit rating migration. The so-defined *IRC* covers issuer risks (the issuer of a credit instrument, an underlying of a derivative, or a securitization vehicle) and not counterparty risk for market transactions that have in any case already been recognized.
Individual coverage ratio	Determined as the ratio of provisions recognized for credit risk (excluding collective provisions) to gross outstandings identified as in default within the meaning of the regulations; calculation based on note 8a to the consolidated financial statements: "Individual provisions"/"Individually impaired receivables."
Individual net additions to/reversals from provisions for loan losses	Total net additions to/reversals from provisions for loan losses (the "net additions to/reversals from provisions for loan losses" line on the consolidated income statement) excluding collective provisions.
Insurance savings products	Life insurance outstandings held by our customers - management data (insurance company).
Interest margin	Interest margin is calculated as the difference between interest income and interest expense: - interest income = the "Interest income" line on the publishable consolidated income statement, - interest expense = the "Interest expense" line on the publishable consolidated income statement.
Interest rate cap****	Maximum upward change in the interest rate applicable to a loan if the contract so provides. This cap on the change in the interest rate is either set at a given value (e.g., 5.20%) or determined through a formula such as benchmark or index rate + fixed portion (e.g., initial rate +2%). The conditions for this cap (its index, level, period, and terms and conditions) are defined in the contract and may also include a *floor* that limits the downward change in the rate. Combining an interest rate cap and floor creates an interest rate collar.

Interest rate floor	Interest rate floor
Interest rate risk	Defined as the exposure of a bank's earnings to fluctuations in interest rates. As the value of an institution is directly related to its earnings, changes in interest rates also mean changes in its asset value with an impact on the balance of on- and off-balance sheet items.
Intermediation risk	Risk to investment services providers that provide performance guarantees for transactions in financial instruments.
Investment grade	Long-term rating assigned by an external agency ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or an underlying issue. A rating of BB+/Ba1 or below signifies a non-investment-grade instrument.
IRB	*Internal ratings-based*. Regulations have established a standard rating system but each institution may develop its own internal rating system. The system must allow for a rigorous and honest assessment of the characteristics of the debtors, for differentiation and for a relevant quantification of the related risks.
iTraxx	Credit derivative index. It is made up of the most liquid names on the European and Asian markets.
KRI (Key Risk Indicators)	These are among the key elements for modeling the internal approaches (AMA — *Advanced Measurement Approach*) implemented by the banks. They are identified through risk mappings conducted in advance. The indicators must be data that are objective, quantifiable and continuously monitored. Each indicator has a threshold above which systematic actions are triggered. The indicators must be reviewed periodically as their relevance depends on the effectiveness of the risk control measures put in place.
L&R	*Loans and receivables*.
LBO	*Leveraged buyout*.
LCR	*Liquidity Coverage Ratio* - see LCR ratio.
LCR (Liquidity Coverage Ratio)	Short-term (30-day) ratio which aims to require that banks at all times maintain a reserve of liquid assets to survive an acute 30-day crisis. This monthly ratio is one of the provisions of Basel III.
Leverage ratio	This is the ratio of regulatory Tier 1 capital to accounting on- and off-balance sheet items, after certain items are restated.
Leverage/Leveraged financing	Debt financing
LGD	*Loss Given Default*: Expressed as a percentage of EAD: ratio of the loss on an exposure in the event of a counterparty default to the amount of exposure at the time of default.
Liquidity buffer	Buffer required to meet cash outflows assuming the markets are closed and there is no access to any liquidity.
Liquidity risk	Liquidity may be defined as an institution's ability to secure the funds needed to finance its commitments at a reasonable price at any time. A credit institution may therefore find itself • at risk of not being able to honor its commitments due to a scarcity of financial resources • at risk of paying significantly more to refinance. Assets are less liquid than liabilities: if the credit institution is not sufficiently liquid, it may have to sell assets at a loss.

Liquidity* ***	For a bank, liquidity means its ability to cover its short-term maturities. A market or security is liquid when transactions (buy/sell) can be carried out seamlessly, without sharp price fluctuations, due to high trading volumes. A liquid market is therefore a market in which it is easy to sell at a price close to the quoted price.
Loans/deposits ratio	Ratio calculated using consolidated balance sheet items: ratio expressed as a percentage of total lending to customers ("Loans and receivables due from customers" line on the assets side of the consolidated balance sheet) to customer deposits ("Amounts due to customers" line on the liabilities side of the consolidated balance sheet).
Loss Given Default	See LGD.
Loss Given Default	See LGD.
LTRO	*Long-Term Refinancing Operation*: Refinancing operations the ECB offers to eurozone banks.
M&A	*Mergers and acquisitions*.
Market risk	Risk related to the capital markets and to market volatility (interest rate, foreign currency, liquidity, counterparty) which presents the risk of loss on an instrument due to adverse movements in market prices, for the minimum period needed to liquidate the position (1 day, 1 month, etc.).
Mark-to-market***	Method that values an asset at its market value, as opposed to the "historical cost" valuation, in which the asset remains valued at its price on the date of purchase, even if its market value has changed in the interim.
Mark-to-model	Valuation of a financial instrument at fair value based on a financial model, in the absence of a market price.
Mezzanine	Form of financing that falls between equity and debt. In terms of rank, mezzanine debt is subordinate to "senior" debt but is senior to shares.
Microenterprises	Microenterprises.
Micro-hedging	Hedging of the interest-rate, foreign-exchange or credit risks of an asset portfolio on an asset-by-asset basis.
Mid-cap	Medium-sized market capitalization.
MiFID I/MiFID II/MiFIR	The European Markets in Financial Instruments Directive, which entered into force on November 1, 2007, amends the conditions under which investors make their financial investments. It makes it easier for banks and other investment firms to offer their investment services in the 27 EU countries. Customers benefit from appropriate protection mechanisms and can therefore take advantage of new conditions for the offering. MiFID has been supplemented by MiFID II: in order to address the weaknesses identified during the 2008 financial crisis and take into account the performance of the financial markets, the European Commission presented proposals for the revision of the directive in October 2011. The new regulatory framework was adopted in May 2014 and published in the Official Journal of the European Union on June 12, 2014 with the aim of improving the safety, transparency and functioning of the financial markets, as well as strengthening investor protection. It consists of: - Directive 2014/65/EU of 15 May 2014 on markets in financial instruments (MiFID II,

	repealing MiFID I); - Regulation 600/2014 of 15 May 2014 on markets in financial instruments (MiFIR), which covers the transparency aspects of the markets with regard to the public and amends Regulation 648/2012 of 4 July 2012 on OTC derivatives (known as EMIR).
Monte Carlo method	Simulation technique that uses repeated experiments in order to conduct assessments.
MREL (Minimum Requirement for own funds and Eligible Liabilities)	The Bank Recovery and Resolution Directive (BRRD) requires that credit institutions have a minimum level of liabilities eligible for bail-in (MREL) which should be on the order of 8% of liabilities but which the national resolution authority will set on a case-by-case basis.
MRT	*Material Risk Takers* (European Delegated Regulation no. 604/2014).
NACE code	Statistical classification of economic activities in the European Community (from the French *Nomenclature statistique des activités économiques dans la communauté européenne*).
NBI	Net banking income.
Negotiable debt securities	Fixed-term investments maturing in between one day and seven years. As the minimum unit amount of an investment is relatively high (€150,000), money market securities are rarely subscribed by retail investors but rather by large investors and UCITS. The negotiable debt security category includes: - Certificates of deposit (CDs) - Medium term notes (MTNs) - Commercial paper (CP) - Notes issued by specialized financial institutions.
Net customer loans	The "Loans and receivables due from customers" line on the assets side of the consolidated balance sheet.
Net interest income	See interest margin.
Net interest income	See interest margin.
Netting	*Netting* systems are used to reduce the number of interbank settlements, the risks incurred on counterparties and the liquidity needs of participants.
New lending	Amounts of new funds made available to customers — source: management data, sum of individual data for entities in the "Retail banking - Banking network" segment.
Non-performing loan ratio	Ratio of non-performing loans (see note 8 to the consolidated financial statements, the "Individually impaired receivables" line) to gross loan outstandings at the end of the period (see note 8 to the consolidated financial statements: loans and receivables due from customers excluding individual and collective provisions).
NRE	*Loi sur les nouvelles réglementations économiques* (French law on New Economic Regulations).
NSFR (Net Stable Funding Ratio)	One-year ratio of available stable funding relative to required stable funding. Sources of funding must cover applications of funding at a ratio of 100% over a one-year horizon. Amounts to be funded are weighted by their liquidity and sources of funding by their stability. This quarterly ratio is one of the provisions of Basel III.
OCI	*Other comprehensive income*. This corresponds to revenues, expenses, gains and losses and other similar items that contributed to an increase or decrease in equity but which are

	excluded from the income statement. It includes, among others, unrealized gains and losses on available-for-sale securities recognized at fair value and unrealized foreign currency gains or losses.
Operational risk	The Basel II Committee defines operational risk as the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems. This definition includes human error, fraudulent and malicious acts, failures of information systems, problems related to personnel management, commercial disputes, accidents, fires and floods. For operational risk, bank activities are broken down into several *business lines*: Corporate Finance, Trading and Sales, Retail Banking, Commercial Banking, Payment and Settlement, Agency Services, Asset Management, Brokerage. There are three possible ways to calculate the capital requirements associated with operational risk: • Basic indicator approach: this is the simplest approach in which capital requirements for operational risk are equal to 15% of the three-year average of net banking income; • Standardized approach: capital requirements are calculated on the basis of net banking income by business line, weighted by the following factors: Corporate Finance (18%), Trading and Sales (18%), Retail Banking (12%), Commercial Banking (15%), Payment and Settlement (18%), Agency Services (15%), Asset Management (12%), Brokerage (12%); • Advanced approach based on an internal model to be approved by the supervisory authority.
Option*	Financial instrument that gives investors the future right to buy (*call*) or sell (*put*) a financial asset (share, bond, currency, etc.) at a predetermined price. An option is a high-risk product.
Options (types of)	Binary: Two possible options at maturity (payment of a predetermined amount or nothing) — Barrier: options that can be created or canceled if the underlying moves above or below a barrier (threshold value) — Asian: generally, a contract entitling the holder to use the average price of an underlying as a reference while having a set strike price — *Lookback*: a purchase made based on a strike price corresponding to the minimum (maximum) price during the life of the option for a call (put).
OTC	*Over the counter*: An over-the-counter (off-exchange) market is a market where buyers and sellers enter into transactions directly. This contrasts with an organized (on-exchange) market where transactions are carried out with the exchange. Transactions on an OTC market are often less standardized or take place within a more flexible regulatory framework. An OTC market is less transparent than an organized market.
Overall non-performing loan coverage ratio	Determined as the ratio of provisions recognized for credit risk (including collective provisions) to gross outstandings identified as in default within the meaning of the regulations; calculation based on note 8a to the consolidated financial statements: “Individual provisions” + “Collective provisions”/“Individually impaired receivables.”
PD	*Probability of default*: expressed as a % over a one-year horizon and calculated by the bank based on its observation of default rates over a long-term period. PD is calculated by type of borrower and type of loan.
Personal security	Guarantee that pledges the personal assets of the person who has agreed to settle the debtor’s debt if the debtor defaults (e.g., a security deposit).
Probability of default	See PD.
Public exchange	Transaction in which an entity publicly announces to shareholders of a listed company (the target company) that it has agreed to acquire their securities. The entity offers to acquire the

offering*	securities in exchange for existing securities or securities to be issued in the future.
Rating agency	Firms that assess the financial solvency risk of a company, bank, national government, local government (municipality (*commune*), department (*département*), region (*région*)) or financial transaction. Their role is to measure the risk that the debt issued by the borrower will not be repaid.
Rating***	Assessment, by a financial rating agency (Moody's, Fitch Ratings, Standard & Poor's), of the financial solvency risk of a national government or another public authority or of a given transaction: bond issue, securitization, etc. The rating has a direct impact on the cost of raising capital.
Ratio of net additions to/reversals from provisions for customer loan losses calculated on an individual basis to outstanding loans (expressed as a % or in basis points)	Ratio of net additions to/reversals from provisions for customer loan losses (see note 35 to the consolidated financial statements) less collective provisions to end-of-period gross outstanding loans excluding repurchase agreements (see note 8 to the consolidated financial statements: loans and receivables due from customers excluding individual and collective provisions).
Representative office****	Office established by a bank in a foreign country where activity is limited to representation and information. This office cannot carry out banking transactions.
Resecuritization	Securitization that has underlying securitization positions, typically in order to repackage medium-risk securitization exposures as new debt securities.
Retail	*Retail banking*
Return on equity	Net income attributable to owners of the company as a percentage of opening shareholders' equity less dividends paid.
Risk weight	Weighting of exposures that is applied to a specific exposure to determine the corresponding risk-weighted assets.
Risk-weighted assets (RWA)**	Risk-weighted assets are based on banks' exposures and their associated risk levels, which depend on counterparties' creditworthiness, measured using the methods provided for in the Basel III framework. See RWA.
RMBS	*Residential Mortgage-Backed Securities*.
RTT	*Réduction du temps de travail* (Reduction in working hours).
RW	*Risk weight*.
RWA	*Risk-Weighted Assets* = EAD x RW x LGD. Under the standardized approach, risk weight is set by regulation. Under the internal ratings-based approach (IRB), it depends on the probability of default and expresses *unexpected losses*: RWA = EAD x f(PD) x LGD * 12.5 where f(PD) is the normal loss distribution with a given confidence interval (PDs are calculated by the bank but the loss distribution and confidence interval are set by regulation).

	Capital is required to cover these unexpected losses at 8%.
S&P	Standard & Poor’s.
SA	Standardized approach for measuring credit risk as defined in European regulations.
Samurai format/Samurai program	Legal program for issuing JPY-denominated bonds. An issuer may use this type of program if it meets a number of requirements set out by the Japanese supervisory authorities. Based on the information provided by the issuer, the supervisory authorities give the institution their permission, conditioned on specific characteristics, to use the program to issue in JPY in Japan.
SCPl	*Société civile de placement immobilier* (real estate investment company).
Secondary market	Market on which securities that have already been issued are traded, also known as the stock exchange.
Securitization	Financial technique where financial assets such as receivables (for example, open invoices or loans outstanding) are transferred to investors by converting these receivables, via a *special purpose vehicle*, into financial securities issued on the capital market.
Security interest in property.	Guarantee that pledges specific property on which the creditor may collect payment if the debtor defaults. (e.g., pledge on movable property or mortgage on immovable property).
Senior (security)	Security benefiting from specific guarantees and priority repayment.
SEPA	*Single Euro Payments Area*. European framework following on from the changeover to euro coins and banknotes. SEPA offers a single set of means of payment in euros shared by all European countries. These new European means of payment enable consumers, companies, retailers and governments to make payments under the same conditions throughout the European area, as easily as in their own country.
Settlement risk	Risk that develops between the placement of an order, the timeline for settlement and the final receipt of the funds.
Settlement-delivery*	In the market, the settlement-delivery system organizes and ensures the delivery of securities that have been bought (on which the transfer of ownership depends), usually against payment, in accordance with the order that was placed.
SFH	*Société de financement de l'habitat*: created by the Banking and Financial Regulation Act enacted on October 22, 2010, these are credit institutions authorized as financial companies by the ACPR. SFHs are subsidiaries of full-service banks and their sole purpose is to grant or finance home loans. To obtain financing, SFHs issue covered bonds called *obligations de financement à l'habitat*, which are either backed by mortgages or guaranteed.
Share	Represents a fraction of a company’s capital. It is an ownership security that grants a number of rights, including the right to share in the earnings generated by the company (dividends), to attend general meetings and to vote at such meetings. A share may be listed on the stock exchange but this is not always the case.
Short selling	Technique used by investors who believe that the price of a marketable security will fall. They sell the security even though they do not yet own it, with the expectation that they will buy it later at a lower price to make a profit.
Small cap	Small market capitalization.

SMEs	Small and medium-sized entities.
Solvency risk	Risk of not having sufficient capital to meet potential losses on loans, securities, etc. This risk may result from other risks.
Sponsor** (in the context of securitizations)	A sponsor is an institution, separate from the originator, that establishes and manages an asset-backed commercial paper (ABCP) program, or any other transaction or securitization in which it buys third-party exposures.
SPPI test	*Solely Payments of Principal and Interest*: the SPPI test makes it possible to classify financial instruments differently depending on whether or not the cash flows are made up solely of payments of principal and interest.
Spread	A bond's credit *spread* is the difference between the yield on the bond and the yield on a risk-free bond with the same maturity; the benchmark for the latter can be either the government bond rate or the *swap* rate.
SREP (Supervisory Review and Evaluation Process)	The SREP aims to ensure that entities have implemented adequate provisions, strategies, procedures and mechanisms and that they have sufficient capital and liquidity to ensure sound and prudent management of the risks they may face, in particular those identified by *stress tests* and systemic risks.
SRF (Single Resolution Fund)	Designed to help failing banks refinance themselves during the resolution phase, which involves implementing the plan endorsed by the Single Resolution Board (SRB), and during which the bank in question no longer has access to the interbank market. The Fund is not intended to recapitalize failing banks but to help with the orderly execution of the resolution plan.
SRI	Socially Responsible Investment — In France, SRI is generally described as the process asset management companies use to select the marketable securities that make up their portfolio by systematically taking into account the issuer's environmental, social and governance (ESG) practices, in addition to financial criteria. This type of management is ideally coupled with a dialogue with the company and active exercise of the voting rights attached to the securities.
SRM	*Single Resolution Mechanism*, which is designed to prevent bank crises, or in any event manage them more effectively, through: 1) the establishment of recovery and resolution plans by the banks; 2) early intervention powers, with the possibility of appointing a special administrator; 3) the contribution of shareholders and debtholders (Tier 1, Tier 2, and even senior) to bank bail-ins (a principle that will not, however, be implemented before 2018); and 4) harmonized resolution powers at the European level.
SSM	*Single Supervisory Mechanism*: defined by Council Regulation EU 127(6) TFEU conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions. It is made up of the ECB and the competent national authorities of the participating Member States: eurozone states are required to join. For the other Member States, it involves close cooperation on a voluntary basis. Single supervision is exercised in two ways under the responsibility of the ECB: • Direct supervision by the ECB of "significant" institutions with the support of the competent national authorities • Supervision by the competent national authorities of "less significant" institutions under the control and within the framework defined by the ECB In the eurozone, the ECB and the SSM carry out the prudential supervision tasks specified in

	EU legislation on access to the activity and the prudential supervision of credit institutions (CRD).
Stress test	Stress tests of earnings and capital seek to assess a company's ability to withstand various crisis scenarios and an economic downturn. Pillar II of Basel II requires that *stress tests* be conducted.
Stressed Value at Risk (SVaR)	This metric adjusts for the VaR procyclicality by applying scenarios that have been calibrated to a period of stress, and not just to the continuous 12-month historical observation period, to portfolio positions at a given calculation date.
Structured product*	Investment (investment fund, bond, etc.) whose value depends on the performance of a financial asset (share, market index, etc.) based on a calculation formula known at the time of subscription. For example: a four-year investment that has a guarantee on the capital invested at the end of the four years, and whose final performance will be equal to 50% of the change in the CAC 40 index over those four years.
Structured product***	Product designed by a bank to meet its customers' needs, consisting of a complex combination of options, *swaps*, etc. based on unlisted parameters and using various financial engineering techniques, including securitization. Its price is often determined through mathematical measurements that model the product's performance as a function of time and various market developments.
Subordinated note	Security whose repayment ranks lower in priority than other claims if the issuer defaults.
Super-subordinated notes	These notes have the following characteristics: • perpetuity: the term of the notes must be unlimited, and early redemptions may occur at the sole discretion of the issuer or may even be prohibited; • subordination: in the event of liquidation, repayment of the notes is subordinated to repayment of all other borrowings; • conditional payment of interest: provision should be made, under certain conditions such as non-payment of a dividend to company shareholders, for the payment of coupons at the sole discretion of the issuer or the regulator; such non-payment should not be considered an event of default but a cancellation of an interest payment with no deferral of unpaid interest (non-cumulative interest). Additionally, this non-payment is mandatory if a payment is likely to jeopardize the company's compliance with its prudential requirements. *Step-up* clauses are prohibited. • mechanism for interest revision in the event of losses: the notes must allow the issuer, in addition to the non-payment of interest, to absorb losses through a reduction in the nominal value of the notes, so it can continue to operate.
Supervisory Risk Assessment	In accordance with the regulation on the SSM (applicable as of November 4, 2014), the European Central Bank has been implementing the *Comprehensive Assessment* since November 2013. This exercise has three phases: the *supervisory risk assessment*, the asset quality review (AQR) and the *stress test*. The first phase covers the key risks in bank balance sheets, including liquidity, leverage and funding. It relies on a quantitative and qualitative analysis based on historical and forward-looking information to assess the bank's intrinsic risk profile, its position relative to its peers and its vulnerability to a number of exogenous factors. This assessment is based on an analysis of 10 key risk categories: business line and profitability risk, credit risk, market risk, operational risk, interest rate risk, internal governance, liquidity risk, capital position, concentration risk and financial conglomerate

	risk. The assessment assigns each of these a score for both the level of risk incurred and the internal control mechanisms in place.
Swap	Contract that is equivalent to swapping only the value differential.
Tier 1 capital	This consists of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.
Tier 1 ratio	The ratio of Tier 1 capital to total risk-weighted assets.
Tier 2 capital**	Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Incentives for early redemption are prohibited.
TMO	*Taux moyen obligataire* (fixed-rate bond index).
Tracfin	*Traitement du renseignement et action contre les circuits financiers clandestins* (Unit for intelligence processing and action against illicit financial networks) — The anti-money laundering unit of the French Ministry of Finance.
Trading*	*Trading* describes buy and sell transactions on various types of assets (equities, commodities, currencies, etc.) for the purpose of generating a gain. *Trading* is generally done by a trader who buys and sells financial products from the trading floor of a financial institution.
Treasury stock	Shares of its own stock held by a company, in particular under a share buyback program. Treasury stock has no voting rights and is not included in the earnings per share calculation.
TUP	*Transmission universelle de patrimoine* (transfer of assets and liabilities).
Underlying*	Financial asset (share, bond, etc.) on which an investment is based. The change in the value of the underlying determines the change in the value of the investment.
Unit-linked (insurance)	In a life-insurance policy, this is the type of investment in marketable securities selected by the policyholder.
Unit-linked policies	Unit-linked life-insurance policies are policies in which savings are invested in a variety of financial vehicles. These may be: shares or units in investment companies or funds (shares in SICAVs, units in mutual funds or SCPIs, units or shares in OPCIs, etc.). Their main advantage is that they offer a wide range of investments, permitting a variety of investment strategies, for investors seeking diversity and performance. Through arbitrage, policyholders can change the allocation of their investments to the different units of account based on their investor profile and objectives and on the financial markets' performance. This differs from non-unit-linked single-product policies, which offer just one investment vehicle guaranteed by the insurer but do not diversify the holder's savings.
US144A format/US144 A program	Legal program for issuing USD-denominated bonds. An issuer may use this type of program if it meets a number of requirements set out by the US supervisory authorities. Based on the information provided by the issuer, the supervisory authorities give the institution their permission, conditioned on specific characteristics, to use the program to issue in USD in the United States.
USD	US dollar.
Value at Risk (VaR)**	VaR is defined as the maximum potential loss following an adverse change in market prices over a specified period of time and at a given level of probability (also called the confidence level). It is an aggregate and probabilistic measure of market risk.
Value exposed to risk (EAD - Exposure at	See EAD.

default)	
Volatility*	Degree of variation in a security, fund, market or index over a given period. This degree of variation gives an indication of the risk of the investment. The higher the degree of variation, the greater the likelihood that the security, fund or index will experience significant variations in the future.

* Source: AMF glossary: http://www.amf-france.org/En-plus/Lexique.html#.

** Source: ACPR glossary: https://acpr.banque-france.fr/glossaire.html and notice on calculation methodology for prudential ratios under CRD 4.

*** Source: BdF glossaries: https://www.banque-france.fr/ccsf/fr/infos_prat/glossaire/glossaire.htm, https://www.banque-france.fr/fileadmin/user_upload/banque_de_france/publications/Documents_Economiques/documents-et-debats-numero-3-glossaire.pdf, https://www.banque-france.fr/ccsf/fr/infos_prat/glossaire/glossaire-secteur-financier.htm.

**** Source: FBF glossary: http://www.fbf.fr/fr/secteur-bancaire-francais/lexique.